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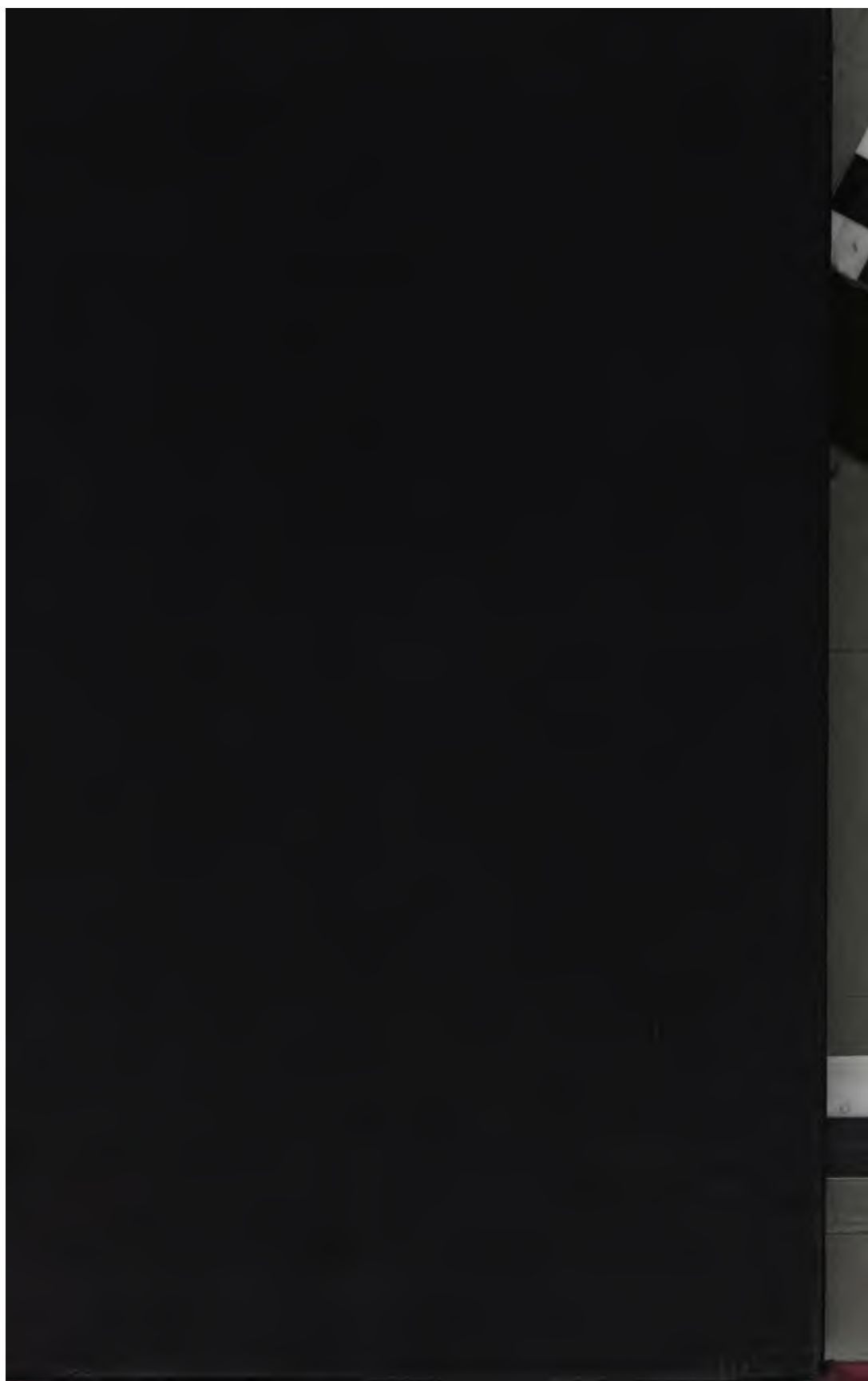
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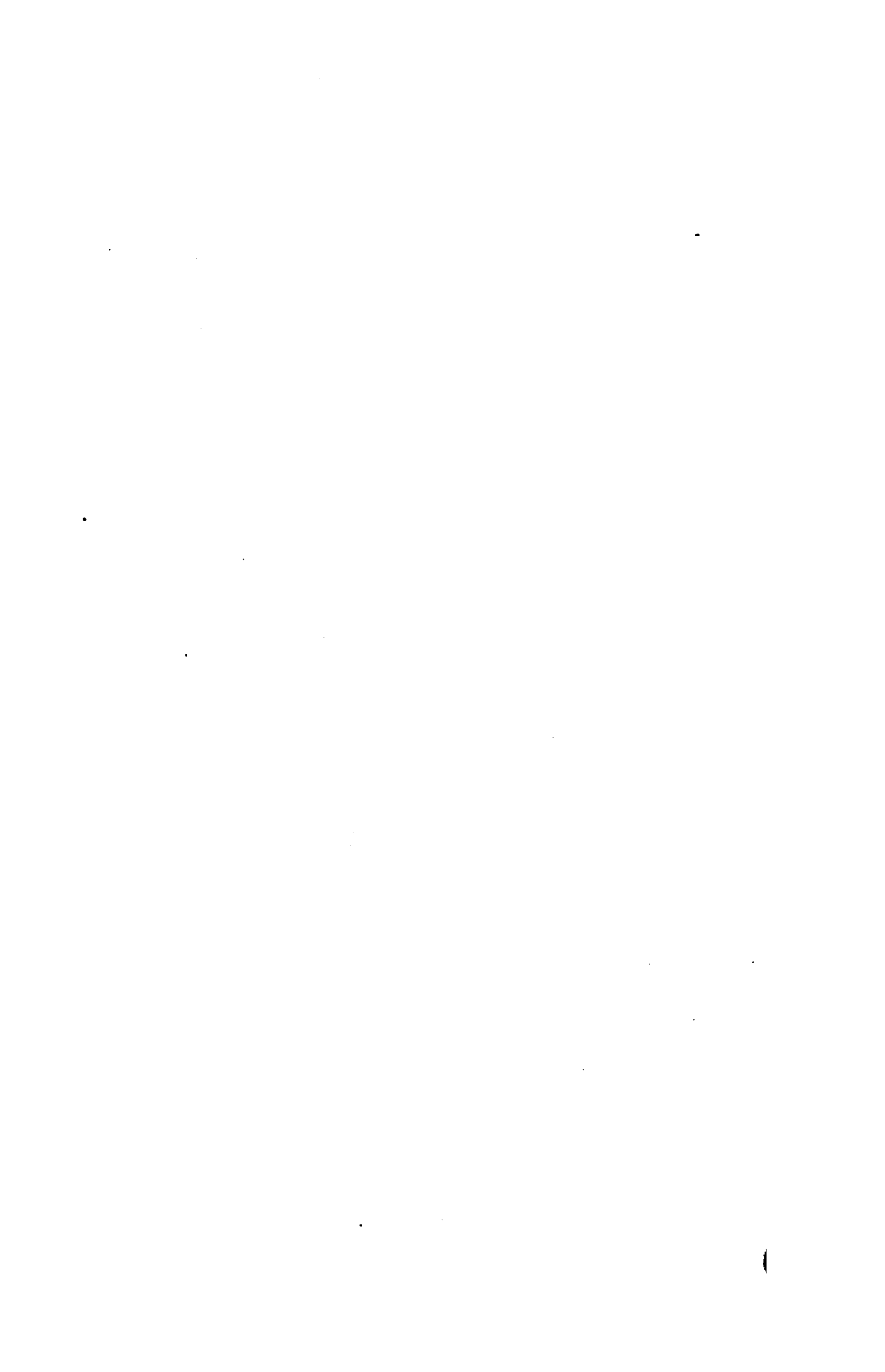
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DUTIES AND POWERS OF THE INTERSTATE COMMERCE COMMISSION.

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HEARINGS

143  
432

BEFORE THE

COMMITTEE ON INTERSTATE COMMERCE

UNITED STATES SENATE,

December 16, 1904, and subsequently,

THE COMMITTEE HAVING UNDER CONSIDERATION THE BILL (S. 2439—QUARLES  
BILL) "FURTHER TO DEFINE THE DUTIES AND POWERS OF THE INTER-  
STATE COMMERCE COMMISSION;" ALSO THE BILL (H. R. 18588—  
ESCH-TOWNSEND BILL) "TO SUPPLEMENT AND AMEND  
THE ACT ENTITLED 'AN ACT TO REGULATE COM-  
MERCE,' APPROVED FEBRUARY 4, 1887 "  
REFERRED TO THE COMMITTEE  
FEBRUARY 10, 1905.

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WASHINGTON:

GOVERNMENT PRINTING OFFICE.

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58th CONGRESS, 3d SESSION.

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INTERSTATE COMMERCE COMMITTEE  
SENATE OF THE UNITED STATES.

STEPHEN B. ELKINS, of West Virginia.  
SHELBY M. CULLOM, of Illinois.  
NELSON W. ALDRICH, of Rhode Island.  
JOHN KEAN, of New Jersey.  
JONATHAN P. DOLLIVER, of Iowa.  
JOSEPH B. FORAKER, of Ohio.  
MOSES E. CLAPP, of Minnesota.  
JOSEPH H. MILLARD, of Nebraska.  
BENJAMIN R. TILLMAN, of South Carolina.  
ANSELM J. McLAURIN, of Mississippi.  
EDWARD W. CARMACK, of Tennessee.  
MURPHY J. FOSTER, of Louisiana.  
FRANCIS G. NEWLANDS, of Nevada.

Q. J. S. March 11/09

## THE QUARLES BILL.

[S. 2439, Fifty-eighth Congress, second session. In the Senate of the United States. December 12, 1903.]

Mr. Quarles introduced the following bill; which was read twice and referred to the Committee on Interstate Commerce:

A BILL Further to define the duties and powers of the Interstate Commerce Commission.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That any order made by the Interstate Commerce Commission, after hearing and determination had on any petition now pending or hereafter presented, pursuant to section thirteen of an Act entitled "An Act to regulate commerce," approved February fourth, eighteen hundred and eighty-seven, declaring any existing rate or rates in said petition complained of for the transportation of persons or property, or any regulation or practice affecting such rates, or facilities afforded in connection therewith, to be unjustly discriminative or unreasonable, and declaring what rate or rates, regulation, or practice affecting such rate or rates, would be just and reasonable, and requiring them to be substituted therefor, shall become operative and be observed by the party or parties against whom the same shall be made within thirty days after notice, or, in case of proceedings for review, as hereinafter provided, then within sixty days after notice; but such order may at any time be modified, suspended, or revoked by the Commission upon full hearing of all parties in interest.

SEC. 2. That when the rate substituted by the Commission as hereinbefore provided is a joint rate, and the carriers, parties thereto, fail to agree upon the apportionment thereof among themselves within twenty days after notice of such order, the Commission may issue a supplemental order declaring the portion of such joint rate to be received by each carrier party thereto, which order shall be observed by such carriers. When the order of the Commission prescribes the just relation of rates to or from common points on the lines of the several carriers parties to the proceeding, and such carriers fail to notify the Commission within twenty days after notice of such order that they have agreed among themselves as to the changes to be made to effect compliance therewith, the Commission may issue a supplemental order prescribing the rates to be charged to or from such common points by either or all of the parties to the proceeding, which order shall be observed by the carriers concerned.

SEC. 3. That every such order, as to its justness, reasonableness, and lawfulness, shall be reviewable by any circuit court of the United States for any district through which any portion of the road of any carrier named in such order shall run, to which a petition filed on its equity side, within twenty days from the service of such order, shall be first presented by any party interested. It shall be the duty of the Commission, within twenty days after notice, to cause to be filed in any

#### 4 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

court to which such petition shall have been so presented a duly certified copy of its entire record in connection with the order to be reviewed, including petition, answers, testimony, report and opinion of the Commission, its order, and all other papers whatsoever in connection therewith. The court shall thereupon proceed to hear the same upon the petition, record, and testimony returned by the Commission; or, in its discretion, may, upon the application of either party, and in such manner as it shall direct, cause additional testimony to be taken; and thereupon if, after hearing, said court shall be of the opinion that said order was made under some error of law, or is, upon the facts, unjust or unreasonable, it shall modify, set aside, or annul the same by appropriate decree; otherwise the petition shall be dismissed. Pending such review, however, the court may, upon application and hearing, if in its opinion the order is clearly unlawful or erroneous, suspend said order. Any party to the cause may, within thirty days of the rendition of any final decree of said court, appeal to the Supreme Court of the United States, which court shall proceed to hear and determine such appeal. But neither the order of the circuit court nor the execution of any writ or process thereon shall be stayed or suspended during the pendency of such appeal. The said several courts of the United States shall be and are vested with full jurisdiction and all necessary powers in the premises. The case in both the circuit court and the Supreme Court shall have precedence over all except criminal cases.

SEC. 4. That the defense in all such proceedings for review shall be undertaken by the United States district attorney for the district wherein the action is brought, under the direction of the Attorney-General of the United States, and the costs and expenses of such defense shall be paid out of the appropriations for the expense of the courts of the United States. The Commission may, with the consent of the Attorney-General, employ special counsel in any proceeding under this Act, paying the expense of such employment out of its own appropriation.

SEC. 5. That if any party bound thereby shall refuse or neglect to obey or perform any order of the Commission mentioned in section one of this Act at any time while the same is in force, obedience and performance thereof shall be summarily enforced by writ of injunction or other proper process, mandatory, or otherwise, which shall be issued by any circuit court of the United States upon petition of said Commission or of any party interested, accompanied by a certified copy of the order alleged to be violated and evidence of the violation alleged, and in addition thereto the offending party shall be subject to a penalty of five thousand dollars for each day of the continuance of such violation, which, together with costs of suit, shall be recoverable by said Commission by action of debt in any circuit court of the United States, and when so recovered shall be for the use of the United States.

SEC. 6. That all Acts or parts of Acts in conflict with the provisions of this Act are hereby repealed, but such repeal shall not affect causes now pending in court nor rights which have already accrued, but such causes shall be prosecuted to a conclusion and such rights enforced in a manner heretofore provided by law. All existing laws relative to testimony in cases or proceedings under or connected with the Act to regulate commerce shall also apply to any case or proceeding authorized by this Act.

SEC. 7. That this Act shall take effect from its passage.

# DUTIES AND POWERS OF THE INTERSTATE COMMERCE COMMISSION.

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U. S. SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*December 16, 1904.*

## STATEMENT OF MR. EDWARD P. BACON.

The CHAIRMAN. Please state your full name, Mr. Bacon; where you reside, your business, and whom you represent here to-day.

Mr. BACON. My full name is Edward P. Bacon; I reside at Milwaukee; I am engaged in the grain business in that city.

I appear before you, gentlemen, as the chairman of the executive committee of the Interstate Commerce Law Convention which was held in St. Louis October 28 and 29 last, that being the second meeting of that convention, the first meeting having been held November 20, 1900. That convention consisted of 300 delegates, from more than 170 different organizations. The convention was called for the purpose of expediting legislation for amendment to the interstate-commerce act to enlarge the powers of the Interstate Commerce Commission so as to give the act greater effectiveness. A petition was adopted by the convention for the enactment of such legislation, a copy of which petition has been sent to each member of this committee and of the House Committee on Interstate and Foreign Commerce.

Senator CULLOM. Will you state whether you are going to speak to any bill before this committee?

Mr. BACON. I had not desired so to do. In fact, I have not appeared for the purpose of presenting any argument, but simply to present the matter generally for your consideration, with the earnest desire on the part of the convention I represent that some legislation to this effect be immediately enacted.

Senator TILLMAN. In other words, the President has sent us one message and you bring another from the people?

Mr. BACON. We bring one from the people—from all the people. I do not here represent a particular class—not the shippers alone, but I represent the entire community, consumers and producers, as well as shippers, the consumers and producers being in fact much more largely interested in this subject than the shippers themselves by reason of the fact that the freights paid by shippers are simply paid by them as middle men, and the increased cost, if any, is passed over to the people in the increased price the consumers pay for the agricultural or marketable products of the country.

I wish particularly to say that it seems to our committee—and it was so expressed at the convention—that there have been ample hearings on this question before the committees of Congress during the past



five years, first in regard to the Cullom bill, presented in the Fifty-sixth Congress, and also in the Fifty-seventh Congress, in regard to the Nelson-Corliss bill and the Elkins bill, and in the present Congress on the Quarles-Cooper bill, or Cooper-Quarles bill, as it should properly be called. It has been fully investigated in each of those three Congresses—the Fifty-sixth, Fifty-seventh, and Fifty-eighth. Extensive hearings were held by this committee as far back as the Fifty-sixth Congress, hearings occupying a considerable length of time—I do not recall now exactly how long—but the subject was gone into very thoroughly. People appeared here from all parts of the country, representing shippers, and presented their views in relation to the legislation desired. In the Fifty-seventh Congress extensive hearings were held before the Interstate Commerce Committees of both the Senate and House, and in the House committee the hearings extended over a period of two months and a half, some twenty-five hearings having been held. People were here from all parts of the country to present their views at those hearings, which were probably more complete and full than those in regard to any other plan ever presented before these committees.

In addition to that the Industrial Commission held hearings for three and a half years upon the subject of the industries of the country and the transportation problem, and that Commission presented a full report to Congress of those hearings, in the course of which this subject was gone into exhaustively in the sittings of that Commission in the different centers of the country, covering probably more than a year's time. The results of that investigation are available to this committee, and to the House committee as well, of course, in regard to the consideration of the subject.

What I desire particularly to emphasize is that our side desires no further hearings. We feel that the subject has been exhausted. We do not wish to be put to the expense and delay of repeating or reiterating the testimony previously presented. The conditions have not materially changed since the full hearings of the Fifty-seventh Congress, and consequently there is nothing new to be offered. We rest our case upon what we have already adduced at those hearings, reserving simply the right to offer anything necessary in rebuttal of what may be offered by the other side in regard to the question.

I shall now be pleased to answer any questions.

The CHAIRMAN. The Nelson bill was before us. What bill do you rely upon and stand by now—the Quarles Senate bill?

Mr. BACON. Yes, sir. That is identical with the Cooper House bill.

The CHAIRMAN. The Nelson bill was considered by this committee, and here is the Quarles bill, being Senate bill No. 2439.

Mr. BACON. I ought to have said that the Quarles bill simply renews the Elkins bill which was before the Fifty-seventh Congress, with the omission of the pooling sections which that bill contained and the discriminative section which has been superseded by the bill enacted in February, 1903, known as the Elkins anti-rebate law.

The CHAIRMAN. The Nelson bill was discussed quite at length before this committee, and hearings were had. I do not think we have had any direct hearings upon the Quarles bill, have we?

Mr. BACON. I think the chairman did not understand my last remark, that the Quarles bill is simply a renewal of the Elkins bill. Did the Chairman understand that?

The CHAIRMAN. Yes; I understood that part. The question now before us is in regard to making operative the orders made by the Interstate Commerce Commission upon the party or parties against whom they are issued.

Mr. BACON. That is simply a repetition of what was in the Elkins bill before the committee two years ago.

Senator CULLOM. As I am not familiar with what the bill contains at all, I should be glad to have Mr. Bacon discuss it section by section, if he will do so.

The CHAIRMAN. Mr. Bacon has very intelligently discussed the original bill, and incidentally, I suppose, a good deal of what is in the Quarles bill; but I think it would be well for the committee to hear Mr. Bacon in a general way, as suggested by the Senator from Illinois.

Mr. BACON. I will do so with pleasure. I will say that there is nothing contained in the Quarles bill which was not contained in the Elkins bill which was before you two years ago. As originally introduced, that bill was amended at the suggestion of our committee by the parties at whose instance it was introduced—the Pennsylvania Railroad Company—and was adopted by the committee which I represent as a substitute for the Nelson-Corliss bill, which had been considered by this committee.

Senator CULLOM. If you have the bill before you perhaps it would be well to confine your remarks to the bill before the committee, if you can do so.

Mr. BACON. I will premise that the Nelson bill, which was before you at the same time that the Elkins bill was, contains the same provisions in regard to the power of the Interstate Commerce Commission in regard to revising rates that the Quarles bill contains. The purpose—the sole purpose, I may say—of this Quarles bill is to clothe the Commission with the specific authority—

The CHAIRMAN. Please state what authority.

Senator CULLOM. State the provisions of the bill—what power it carries.

Mr. BACON. When a rate has been found, after complaint and investigation, to be unreasonable or discriminative, the power to change that rate or to make any regulation affecting the rate is given the Commission, and that that change shall go into immediate effect pending appeal or review by the courts. Provision is made in the bill for review of the order of the Commission, upon the application of a carrier.

The CHAIRMAN. That is, the Interstate Commerce Commission.

Mr. BACON. That is what I mean.

Senator DOLLIVER. In what respect does that differ from the present law?

Mr. BACON. The present law provides that upon a hearing and finding of a rate to be unreasonable or unjust, which is the term used in the act, it shall so declare, and shall notify the carrier to cease and desist from the continuance of such violation of the act. The carrier is left free to make such change in that rate condemned by the Commission as it may choose. It has sometimes occurred—often, in fact—that, instead of making a change of rate to meet the intent and requirements of the case, it has made only a slight change, in that way technically complying with the requirements of the act.

Senator DOLLIVER. Have you in mind any case in which that happened?

Mr. BACON. Several cases; yes.

Senator DOLLIVER. I should be glad to have a memorandum of the cases in which that happened.

Mr. BACON. I shall be very glad to furnish you with it.

Complying with Senator Cullom's request, I will say that this opportunity for review is provided in this bill for the purpose of expediting proceedings and avoiding the necessity of serving injunctions and such processes to prevent the carrying into effect of the orders of the Commission, the review being a quicker process.

It is further provided that this review shall take precedence over any except criminal cases, and any appeal from the circuit court to the Supreme Court shall also take precedence over any except criminal cases.

It is also provided that the order of the circuit court shall be in force and effect pending appeal to the Supreme Court; that if the circuit court affirms the order of the Commission, nothing shall suspend the operation of that order. It is provided, however, that the circuit court may suspend such order pending the hearing of the case before that court, in order that the railways may have the opportunity, in case of manifest injustice, to have the operation of the order of the Commission suspended. But after the circuit court has acted and affirmed the order of the Commission, the order is in full force until reversed by the Supreme Court.

Then there is a section providing that if the carrier refuses to comply with the order of the Commission when in force it shall be subjected to a penalty of \$5,000 for each day's continuance of noncompliance.

Those points cover the provisions of the bill in full.

I shall be glad to answer any further questions.

Senator TILLMAN. I understand that you represent the shippers' interests. Are you willing to have suspended the order granted by the Commission pending investigation?

Mr. BACON. We are not only willing, but we expressly desire it.

Senator TILLMAN. In other words, you do not agree with the President. The President says such order shall remain in effect until the court itself rescinds its action.

Mr. BACON. The President did not go into details.

Senator TILLMAN. We simply have to read what he said.

Mr. BACON. He announced his purposes and desires, but the bill goes more into detail, and provides for the review by the circuit court in order that if there be manifest injustice in the order of the Commission it may be suspended so that the railways shall not be wrongfully dealt with.

Senator CULLOM. Complaint is made by the people in some localities that the rates from their places to some shipping point—Chicago, for instance, if it is out West—are too high. The Commission goes to that place, investigates the subject, hears testimony, and finally determines that the rates were too high, and so orders; then they also make an order providing for what they regard as a reasonable rate below the former rate. Does that order take effect, under this bill, immediately upon issuance?

Mr. BACON. It takes effect unless the carriers apply to the circuit

court for a review of the order of the Commission. It takes effect within thirty days.

Senator CULLOM. But it does not take effect for thirty days.

Senator CLAPP. It takes effect in thirty days after notice, and in sixty days after notice in case of application for review.

Senator DOLLIVER. Then the mere application for review would postpone for thirty days?

Mr. BACON. That must be made within thirty days.

Senator CULLOM. Otherwise it will take effect at the end of thirty days?

Mr. BACON. Yes; unless application is made for review.

Senator CULLOM. Then if no application is made for review, it remains in force until the court hears the case and decides that the order is or is not unreasonable.

Mr. BACON. It remains in force at the end of thirty days if no application is made for review.

Senator DOLLIVER. Why is that thirty days put in there? It seems to me that would be a very brief time.

Mr. BACON. That thirty days is simply to give time to the carriers to make up their case; the probability is that they would be able to do that in ten days.

Senator DOLLIVER. Then would it not be better, in case of appeal, to require them to determine in a briefer time whether they are going to make an appeal?

Mr. BACON. That would certainly suit our interests. We made that thirty days so as to be beyond criticism.

Senator CULLOM. If there is no appeal to the court within thirty days, this order takes effect, as I understand?

Mr. BACON. It takes effect and the carrier is cut off from appeal.

Senator CULLOM. Is there no way to get the matter before the court then?

Mr. BACON. That ends it, if there is no application for review.

The CHAIRMAN. But such order may be revoked by the Commission itself at any time after full hearing; that is, if the railroad company says it wants to be heard further, the Commission may revoke or suspend its order.

Mr. BACON. That refers to some period in the future, because the conditions may change within a year after the determination was made, and the carrier may have good reasons for asking a revocation or suspension of the order.

Senator CULLOM. The Commission has control afterwards?

Mr. BACON. Yes, sir. A carrier may go before the Commission and ask for a new hearing under changed conditions, no matter when it may be.

Senator CULLOM. If a new rate should take effect at once, would not the shippers be satisfied to let the railroad appeal to the court at any time they choose, without limit, so as to have it determined whether that rate was reasonable or not?

Mr. BACON. What would be the advantage of that, Senator?

Senator CULLOM. The rate when made would be in force as made by the Commission, and the people would get the advantage of that existing rate until the court should decide at any time afterwards. Do you not think that would be fair and reasonable?

Mr. BACON. It seems to me that the allowance of thirty days is ample time for their consideration and determination as to whether they want the case reviewed.

Senator CULLOM. You want the matter settled?

Mr. BACON. Most assuredly we want it settled.

Senator TILLMAN. If the Commission is not allowed or authorized to change existing rates without examination and thorough investigation, why should the court be allowed to suspend an order of the Commission without examination?

Mr. BACON. It is not.

Senator TILLMAN. Indeed it is, unless I misunderstand the English language.

Mr. BACON. It can only suspend upon application and hearing.

Senator TILLMAN. But it is still allowed to investigate. The investigation proceeds after suspension.

Mr. BACON. But it can not order a suspension until an opportunity is given both parties for a hearing on an application for suspension of the order.

Senator TILLMAN. How long must that hearing last? It might make its ruling take effect immediately if it saw fit.

Mr. BACON. But it is supposed that the court will proceed in the matter honestly and seriously. I think that is fairly to be presumed.

Senator TILLMAN. You would not like to have a time limit upon the court; you want it to be calm and serene in its consideration of these matters?

Mr. BACON. It seems to me that a time limit would be rather an imputation upon the honesty of the court. However, that is a matter for determination by you gentlemen. I have sometimes found it necessary to push back with one hand while I pull forward with another. It has been the desire of our committee from the first to maintain a moderate and rational view of this legislation, avoiding extremists and radicals. We desire to be moderate and conservative.

Senator DOLLIVER. Have your committee considered the legal limitations upon our right to put conditions upon the power of the court to supersede the orders of the Commission? I notice that Mr. Kernan, who appears to have been one of the witnesses in the hearings in the last Congress, suggests an amendment to that portion of your bill which lays down the conditions upon which the circuit court shall suspend an order of the Commission, but suggests that those conditions be stricken out on the ground that they would be unconstitutional, and he adds:

You can not enact worse legislation than that.

Has your organization had that matter carefully considered?

Mr. BACON. That matter was thoroughly gone over before the House Committee on Interstate and Foreign Commerce, and the report of the hearings on that subject elucidates that point very fully, I think.

I will say that our committee is constituted of business men, with the exception of one lawyer. Mr. Kernan appeared for the New York Produce Exchange, and argued in favor of the proposed legislation. And I will say that the only lawyer on our committee is not satisfied with what you might call the conservative qualities of the measure which the committee, as a whole, has recommended being observed, avoiding the more extreme or more radical.

Senator NEWLANDS. Are you a lawyer yourself?

Mr. BACON. I am not a lawyer; I am a business man.

Senator NEWLANDS. Are you familiar with the rules the courts have laid down as to the determination of what shall be a just and reasonable rate?

Mr. BACON. I have followed the cases to some extent as they have arisen under the workings of the interstate-commerce act.

Senator NEWLANDS. I am not very familiar with them, but I understand that they have determined that a rate must be reasonable and not oppressive, and that you must have in view a return upon the capital that has been invested.

Mr. BACON. The Supreme Court has specifically decided that the revenues of a railroad company must be sufficient to afford a fair return upon the actual capital invested.

Senator NEWLANDS. Have these decisions ever determined what a fair return, in the shape of interest, shall be?

Mr. BACON. Each particular case has been taken up individually and considered on its own merits, and no definite percentage of interest or return upon the money invested has been indicated by the court as proper and right, so far as I have observed, but the court has decided that point in a general way—that it must be a fair return on the investment. That is something that may vary in different periods.

Senator NEWLANDS. Has any court, to your knowledge, ever laid down a rule for determining the capital or value upon which the fair return, in the shape of interest, is to be computed?

Mr. BACON. No rule has been laid down, but different processes have been pursued in determining the cases before the courts—sometimes one method, sometimes two or three combined; but no rule has been laid down.

Senator NEWLANDS. Take, for instance, a continuous system of railways extending from the Atlantic coast to the Pacific coast, embracing perhaps as many distinct railroads as there are States through which it passes, each one of these railroads being subject to control by a local commission as to domestic rates, and also being under control by the Interstate Commerce Commission as to interstate rates: I ask how would it be possible, in each individual case before the Interstate Commerce Commission under this act, to determine the effect of a given rate upon the capital or value invested in each one of these roads?

Mr. BACON. A case might be very complicated, as you suggest; still, it is not beyond human wisdom to arrive at a satisfactory conclusion. It may involve considerable time and the consideration of many figures, but it is not beyond human capacity, certainly.

Senator NEWLANDS. Do you not think that with the number of cases before the Interstate Commerce Commission, involving both classifications and specific rates, and also with the number of cases that may be under consideration before each one of the local commissions as to domestic rates, there would be considerable confusion as to whether or not a proper return upon capital or value could be had as a result of these changes?

Mr. BACON. I do not think there would be any difficulty of that kind. The cases are easily susceptible of solution with proper time and consideration to be given them. But it is my judgment that with this authority conferred upon the Interstate Commerce Commission it would

operate very fairly toward the prevention of the exaction of discriminative or unreasonable rates.

Senator NEWLANDS. We all agree that that is what we want to have accomplished. The only question is as to the method.

Senator QUARLES. It would have to be worked out by the courts.

Senator NEWLANDS. Yes; but in these cases we would have perhaps ten different circuit courts operating at the same time in suits instituted by each one of these railroads, incorporated under the laws of different States, and each one of them complaining of a particular interstate rate fixed by the Interstate Commerce Commission. It strikes me that this would be likely to produce a great deal of confusion. If we could simplify this whole system it would certainly be of great advantage.

Let me just suggest a line of thought I have been pursuing for some little time on this subject. It involves a radical change in existing conditions, but it seems to me that if it can accomplish good we ought gradually to reach out for it. It is this: We have here, say, 2,000 different railroads in this country—

Mr. BACON. Only about 600 operating railroads, however.

Senator NEWLANDS. Only about 600 operating railroads. A great many of these operating roads are classified and combined into systems, so that practically it may be said that eight or ten systems of railroads control all the mileage of the country. That is accomplished either through leases or holding companies or through traffic arrangements. As a matter of fact, however, we have this large number of corporations—although only 600 operating railroads, as you say—and these railroads are so unified that no more than eight or ten systems control them all.

Mr. BACON. Substantially, yes.

Senator NEWLANDS. That being the case, that being the evolution of railroading, why is it not well to recognize that fact and bring them under control?

Mr. BACON. That is just what we are seeking, Senator.

Senator NEWLANDS. Let me suggest, right there, would it not be well for us, then, to frame a national incorporation act for interstate commerce, under which these various railroads now consolidated under one management—by devious devices that no one understands—can be incorporated, so that we shall have one capitalization fixed by the Interstate Commerce Commission or by the courts, and one system of rates to act upon, as well as one system of taxation to act upon? It seems to me that the evil of the present system is that, whilst the Supreme Court has determined that there must be a fair return upon value or capital invested, yet you can have as many valuations fixed as there are States, and you can have as many rates of interest fixed as there are States, according to conditions.

Then, upon the question of return; this return must be found after operating expenses and taxes are paid. And yet, under existing conditions, we can have forty-five different systems of taxation, each of them variable according to the judgment of a legislature or according to the caprice of assessing bodies.

It strikes me if we could have a national incorporation act for purely interstate commerce, and permit consolidation of these great corporations with a capitalization fixed by law or judicially, and then provide for a percentage tax upon gross receipts absolutely in lieu of

all other taxes, national, State, county, or municipal (regarding these corporations as national machines for interstate commerce the National Government would have the constitutional power to exempt them from State or local taxation), and then provide that that tax shall be distributed by the United States among the various States according to some fair rule of distribution—according to trackage or volume of business—we would then fix absolutely the rate of taxation by one law, and that at the same time no State would be deprived of its revenue.

Thus upon this question of operating expenses and taxes we would secure certainty as to taxation, at all events.

The next step would be the fixing of the proper return upon capital invested. This law could fix the percentage of dividends to be allowed—whether 4 per cent, 5, 6, or 7 per cent, whatever it may be—and it could vary that return according to the degree of risk involved in the enterprise, etc., or it could leave the question of interest as a return on capital to the decision of the Interstate Commerce Commission or to the courts.

Those things being fixed with absolute certainty (the taxes to be paid to the Government and the dividends paid to the operators), then you have remaining only the question of operating expenses, and it seems to me you would then have one body that would fix these rates and you would not be subject to the varying judgments of forty-five different commissions and forty-five different courts. What do you think of that, Mr. Bacon?

Mr. BACON. That is a very comprehensive plan, Senator, and there is much merit in it, but it will take many years to work that out in legislation.

Senator TILLMAN. I want to suggest to my friend from Nevada that he put this statement in the Record, for it is the most magnificent generalization that has ever come before me. So I hope he will repeat this statement in the Senate chamber, because it will be lost to the public unless put in the form of a speech in the Senate on this general subject.

Senator NEWLANDS. It will be in the record of the proceedings of this committee to-day, but I should like Mr. Bacon and his associates to look into that question; for while we may pass something of this kind as a temporary measure, I do not believe it will work satisfactorily as such. It strikes me that the minds of the shippers, as well as of the legislators of the country, ought to be directed to some plan of unifying and simplifying the entire railroad system of the country.

Mr. BACON. That is entirely worthy of consideration with reference to the future, but it will take a long time to work it out. But here we have before us a very simple plan which has been evolved during the discussions of the past five years in regard to this class of legislation, and it seems to me that it would not be best now to take up any such comprehensive and general plan. Senators may work it out for themselves later.

Senator FORAKER. You would not endorse the plan suggested by the Senator from Nevada?

Mr. BACON. Not on the moment's consideration. I am very glad, however, to hear that suggestion.

Senator FORAKER. So am I, but I should want to give it further consideration.



The CHAIRMAN. Mr. Bacon, do you want to be heard futher?

Mr. BACON. Right in this connection—the Senator speaks of this being a very great change in the state of the law, but I wish to remind him that the Interstate Commerce Commission, during the first ten years of its existence, acted upon their presumption that that was the state of the law during that time and substituted certain rates when they found existing rates unjust or unreasonable. That procedure operated to the entire satisfaction both of the railway interests and of the public during that period, so that we have not a theory to contend with, but we have the benefit of ten years' practice under this theory, and what we want now is simply to rehabilitate the Commission with the authority that it exercised during that period.

The CHAIRMAN. You advocate now that that order of the Commission be made operative at once?

Mr. BACON. Yes, sir.

The CHAIRMAN. Suppose that order, operative for the whole country, should be made to apply to certain timber sections—as, for instance, Missouri, Arkansas, and Michigan, on rates to Chicago, covering 500 miles by 1,000 miles and including a thousand shippers—and then the order of the Commission should be reversed by the courts; what relief would the railroad have under this bill?

Mr. BACON. To answer the question categorically, I should say it has no means of relief. But allow me to say—

The CHAIRMAN. As briefly as you can.

Mr. BACON. Allow me to say, briefly, that the fact is that when a case has been carefully considered, under testimony taken on both sides and after argument on both sides, the result reached is presumably correct and right, and the fact would be that perhaps in not more than one case in fifty would the ruling of the Commission be set aside by the courts.

The CHAIRMAN. If it were set aside what would be the effect upon the lumber industry? Would the railroads have to lose \$10,000,000 a year with no relief? I understand you to say they would have no relief.

Mr. BACON. During the four or five years that the rates have been continued in force pending adjudication the public has been subjected to the payment of charges that have been declared to be unreasonable or discriminative.

The CHAIRMAN. You can make the railroad give bonds.

Mr. BACON. The difficulty would be to reach the suffering party, because the shipper passes the increased rate he has to pay right over instantaneously to the public that buys the goods.

The CHAIRMAN. Suppose that the Commission applied the rate, that the court sustains the rate, but that the railroads think that the rate is too low, is there anything in these bills to make the railroads haul the freight? Suppose they should say they had not the cars?

Mr. BACON. This bill does not reach that.

The CHAIRMAN. Suppose the rate is thought to be too low; how are you going to make the railroads haul?

Senator TILLMAN. There is a penalty provided somewhere for a payment of \$5,000 a day in such a case.

The CHAIRMAN. Suppose they had not the cars?

Senator TILLMAN. I suppose they might dodge in some way.

Mr. BACON. These are matters that can be worked out in the future.

The CHAIRMAN. Have you considered the question of devolving the

decision of all these questions ultimately upon the circuit courts of the United States, or upon an interstate-commerce court?

Mr. BACON. You know, Mr. Chairman, that it has been decided by the Supreme Court that the making of a rate is a legislative act and can not be performed by a court.

The CHAIRMAN. Would you recommend that?

Mr. BACON. It is immaterial who fixes the rate, so we get relief.

The CHAIRMAN. I see Senator Quarles is here, and we will hear him now with pleasure, or at any other time, at his own pleasure. We have him with us always.

Senator QUARLES. Like the poor. But, Mr. Chairman, it is now so near the hour of adjournment that if I should undertake to address you now it would, perhaps, trench upon the performance of your other duties here.

The CHAIRMAN. We shall be glad to hear you at another time.

Senator QUARLES. I have been giving this subject very careful study and certain things have suggested themselves to me which I deem of great importance in perfecting this bill. If it be the pleasure of the committee to hear me at some time in the near future I shall be very pleased to communicate to it my views.

The CHAIRMAN. The committee will be very glad to hear you at any time you may indicate you want to be heard.

The committee adjourned.

U. S. SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*January 16, 1905.*

#### ADDITIONAL STATEMENT OF MR. EDWARD P. BACON.

Mr. BACON. Mr. Chairman, I have prepared a statement, which I can submit, and after it shall have been printed can appear again to answer questions if it is so desired.

The CHAIRMAN. Do you not think you should make your statement now, so that some questions can be asked?

Mr. BACON. If that be the pleasure of the committee.

The CHAIRMAN. I know some Senators will want to ask you some questions, because you are an expert in this business.

Mr. BACON. Mr. Chairman, upon further consideration I think it will be better for me, instead of submitting a written statement, to hold myself in readiness to answer such questions as may be propounded to me by members of the committee. I have some documents with me to refer to in case it should become necessary in answering questions.

The CHAIRMAN. Mr. Bacon, I will ask you a question in regard to one matter that has been uppermost in my mind for some time. You are asking that the Interstate Commerce Commission be given power, upon complaint, to review and fix a railroad rate and make it reasonable—that is the substance of it. I wish you would tell the committee just how that would correct the abuse of such discriminations, giving of rebates, and unjust advantages as the railroads practice. Just how would the fixing of rates by the Commission serve to stop this abuse?

Mr. BACON. Giving them the power to correct rates found on complaint and investigation to be wrong.

The CHAIRMAN. Yes; the power to correct a given rate upon complaint. That is provided in the Quarles bill. Will the fixing of a rate by the Commission help to cure this abuse? In other words, could not the railroads violate a rate made by the Commission, or make rebates, just as well as they could when they made their own rates? You can cover that at length. You understand quite clearly the purport of my question?

Mr. BACON. I get your idea fully. This power will be the means by which tariff rates, which are discriminative as between different localities or between different commodities, or otherwise, will be prevented. That is, when the Commission finds a rate discriminative in any respect, having the power to change that rate, it can remedy the discrimination.

So far as concerns paying rebates, upon either the published rates or the rates as corrected by the Commission, it will have no effect whatever. But I consider that the difficulty of discrimination between individual shippers is fully met by the Elkins act of 1903. I do not see how the English language can prohibit that in any clearer terms than is done by that act. Nor do I see how any means of enforcing that prohibition beyond what is provided in that act can be formulated.

Senator DOLLIVER. Do you understand that that act also prohibits discriminations between different localities?

Mr. BACON. Not at all. It relates only to discriminations between individual shippers.

Senator DOLLIVER. I would like you to give us a typical illustration of what you mean by discrimination between rates.

The CHAIRMAN. The fixing of rates by the Commission would correct that. That is the very question.

Mr. BACON. Before answering Senator Dolliver's question I wish to say further that while the Elkins act of 1903 went as far, it seems to me, as it is possible to go, yet it remains with the Commission on its part and the Department of Justice on its part to enforce the provisions of that act. If they are thoroughly enforced the evil of rebates will be effectually remedied. True, it may require new machinery to be provided, but I would not suggest attempting that now, because it will require more consideration than I fear can possibly be given at this session of Congress.

It is essential, in my judgment, that the books and papers of all railway corporations should be not only open to inspection of members of the Commission, but that inspectors should be appointed, the same as national-bank examiners are appointed, to examine the books of every railway corporation in the country, and a continuous inspection should be maintained in order to discover when rebates are paid. Then when such discovery is made, let the matter be at once brought before the Department of Justice for prosecution of the offenders.

The CHAIRMAN. Would you suggest an amendment to the Quarles bill to cover that?

Mr. BACON. I would not suggest that, but I merely throw this out as something to be done in the future.

The CHAIRMAN. I want to say that what you say is very important. It certainly is important that somebody should have the power to send for and examine books and papers. So why not put such a provision in a bill to be considered at this session of Congress? It is not in the Quarles bill.

Mr. BACON. As I said before, there should be a continuous system of inspection of books from day to day and from month to month.

The CHAIRMAN. I believe everybody, in Congress and out, wants to kill rebates, so the machinery to secure that result is very important and essential to be incorporated in some bill. Why do you not yourself prepare such an amendment? The Quarles bill does not reach that point, and that is what I wanted to bring to your attention.

Mr. BACON. I am aware that the Quarles-Cooper bill has no such provision, but the people I represent deemed it best that details of that kind should be deferred to the future, and that the sentiment of Congress should be concentrated wholly upon this one provision to confer this needed power upon the Commission.

The CHAIRMAN. That is the power to fix rates?

Mr. BACON. Yes, sir; then the next Congress can go further and provide the necessary machinery for the prevention of rebates, as well as to remedy other evils existing in various respects in regard to traffic abuses; but I would not advise taking the time for that now. If this were incorporated in the bill it would tend to distract attention from the main question.

The CHAIRMAN. I think the people and Congress are ready for anything to stop unjust discriminations and giving rebates.

Senator NEWLANDS. Do you not think the question of rebates is even of more importance than that of fixing rates?

Mr. BACON. I do not, Senator. I think there is a very exaggerated idea as to the evil of rebates. Not but what I regard it as one of the greatest evils, but it does not reach one-tenth the number of people reached by discriminations between localities and different commodities and other forms of discrimination. Furthermore, it does not reach the question of the prevention of rates that have been found by the Commission to be excessive and unreasonable. That is a question which greatly concerns the people of the United States. Rebates must be stopped and discriminations must be stopped, and the power providing for that can be exercised to stop excessive rates, but the latter is by far of the greatest importance. I really regard rebates, however, as having been fully provided for by the Elkins Act of 1903, and with the addition of some machinery I believe that the practice of paying rebates can be wholly prevented.

Senator NEWLANDS. Do you think the books would show the fact of a rebate having been paid?

Mr. BACON. The books would not show it directly; no, sir. The payment of rebates is effected in a way that is really underhanded and discreditable to the railroads. They have been largely paid by messenger boys from the general freight office, the treasurer's office, or some other office, perhaps, to messengers or subordinate clerks of the firms receiving the benefit of such payments. A messenger boy will go with a little slip of paper with some pencil figures on it and currency in his hands instead of handing a check to the firm receiving the benefit and obtaining a voucher for it.

Senator MILLARD. Do you not think an examiner would be enabled to ascertain that fact?

The CHAIRMAN. No rebate, if for no more than \$2, can be given without the books showing it in some way or other. Otherwise the books would never balance.

Mr. BACON. An inspection of the books will develop the fact.

The CHAIRMAN. A rebate of \$2 can not be given without the books showing it in some way. It may be concealed; it may be put in the form of commissions paid, or of a private car arrangement or switching arrangement—there are all kinds of ways of concealing it—but it will show somewhere.

Perhaps the committee would like to hear from you as to the steps by which the fixing of rates by the Commission would cure discriminations between localities. You say that as to individual shippers the Elkins Act is quite sufficient, and I think if enforced it is sufficient. But as between localities, tell us how a discrimination in favor of Chicago and against Kansas City, or as between Chicago and Cleveland, on freight going to the South Atlantic ports can be avoided by having the rate fixed by the Commission rather than by the railroads.

Mr. BACON. I get your idea.

The CHAIRMAN. Senator Dolliver asked about that. Illustrate that and make it plain.

Mr. BACON. I will develop it in a moment. There is another method of making rebates, and that is by the allowance of fictitious claims, and false vouchers being taken therefor. I will take up the matter you speak of, Mr. Chairman; but first I want to say that there are no less than six forms of discrimination, and probably more. The first, and most generally recognized, is by the payment of rebates.

Senator DOLLIVER. That is always a discrimination between individuals.

Mr. BACON. Between individuals entirely. The second is between localities; third, between commodities; fourth, between various distances. There is great discrimination in the relative rates for distances, the rate for 100 or 200 miles often being half the rate for 500 or even 1,000 miles, the discrimination being against intermediate points. Then, fifth, there is discrimination in quantities—the difference between carload lots and less than carload lots. I have made a calculation as accurately as possible as to the difference in expense of transportation of carload lots as compared with less than carload lots, and I can not figure that it costs more than 5 per cent extra for part carload lots than on full carload lots. Yet the rates charged vary all the way from 30 to 80 per cent, as a general thing, and in some instances 150 per cent. There is no reason for any such discrimination as that.

Senator McLAURIN. Does that apply to all freight on the railroads?

Mr. BACON. To all freights.

Senator DOLLIVER. Has anybody ever complained of that?

Mr. BACON. Frequent complaints have been made.

Senator DOLLIVER. Have the Interstate Commerce Commission or any of the State commissions ever examined and reported upon that question?

Mr. BACON. I do not recall any formal report upon the question, though I think it was touched upon in the investigations made by the industrial commission.

As to discriminations between quantities, it was proposed at a public convention of the National Grain Dealers' Association in Minneapolis last summer, by one of the traffic officials of the Chicago, Burlington and Quincy, that, in addition to the rate for carload lots, there should also be a rate established for train-load lots. That indicates another opening for serious discrimination between quantities; that is, between large and small shippers.

Then another serious discrimination that exists is between domestic traffic and foreign traffic, which has been practiced for many years, making a lower rate for export or import traffic than on domestic traffic. Between all inland points and the seaboard there has for years been a system of making one rate for domestic traffic and another for export, and often the export rate is 25 to 33 per cent less than for domestic traffic.

In the matter of steel and iron, for the past two years the trunk lines, as they are called, have given the steel and iron producers a reduction of 33½ per cent less than the published tariff on domestic freights, so that all iron and steel exported is carried at one-third less than the people of this country are required to pay on freight of the same character.

The CHAIRMAN. Suppose a combination of railroad and lake carriers involves unjust discrimination. Nothing is provided, to my knowledge, in any bill to include waterways over which the United States has jurisdiction. Have you thought of that class of discriminations?

Mr. BACON. The present act gives the Interstate Commerce Commission jurisdiction over rates covering combined rail and water routes, under joint control or arrangement, but not over rates for traffic wholly by water whether inland or coastwise.

The CHAIRMAN. I know; but they make a London rate from Chicago.

Mr. BACON. They do often, yes.

The CHAIRMAN. Why should we not try to correct this abuse on water as well as upon the land? There is no regulation of river traffic at all. Now, you are an expert. In preparing a bill why could we not cover the rivers?

Mr. BACON. The law already provides that any rail-and-water rate (either lake or river) shall be subject to the provisions of the interstate commerce act. It does not, however, extend to ocean traffic.

The CHAIRMAN. I only throw that out for the committee. Don't let me interrupt you.

Mr. BACON. What I want to say is that this law that we desire, conferring power upon the Commission, meets all these difficulties and places in the hands of the Commission the power to determine a just relation between rates for export and rates for domestic traffic, what would be a just relation between carload lots and less than carload lots, and what would be a just relation between 100 miles and 1,000 miles.

All these matters could be properly adjudicated and settled by conferring this power upon the Commission, and would be remedied by the exercise of the jurisdiction thus conferred. As the law is now they can say that in a given case they have decided so and so, but such a decision has no effect whatever; it is left to the carrier to effectually remedy the difficulty or not, as it chooses. What we want is that this existing tribunal shall have the power to do what is fair and just and right in all these cases for the carriers, for the shippers, and for all parties interested.

As to the freights upon iron and steel products, it is to my mind a very serious question whether the people of this country are not being charged rates on domestic traffic of that character sufficient to reimburse the carriers for the low rates they charge on export freight. That is one of the questions the Commission should be given power to investigate.

Senator DOLLIVER. As to the low rate on traffic for export as compared with the domestic traffic, does not that exist even in a more

emphatic form in countries where the railroads are operated by the government? Take Germany, for instance.

Mr. BACON. There is a necessity for deviation, at least under some circumstances and conditions. But that the difference should be so great is questionable.

Senator DOLLIVER. Is it not the policy of the German Government to make it large enough to secure the foreign sale of their own goods?

Mr. BACON. Every country is endeavoring to protect its citizens in that way.

Senator DOLLIVER. Is not that policy in perfect line with the policy of this country?

Mr. BACON. Certainly, we are all desirous to sell our goods to foreign countries.

Senator DOLLIVER. Do you think any construction of an order issued by the Interstate Commerce Commission could interfere with that policy?

Mr. BACON. I think it would be its duty, in a case brought before it, to thoroughly investigate it and come to a conclusion in regard to it, and I judge it could require such changes as it deemed necessary to secure justice between the parties concerned under the power conferred by this bill.

Senator DOLLIVER. In reading the reports of the Interstate Commerce Commission I have seen no reprobation of that practice at all, but, on the contrary, I have seen a series of hints that something more available than orders should issue.

Mr. BACON. In a New Orleans case, which you must have observed in your study, the Commission found the rate from New Orleans to the Pacific coast on imported property to be about one-third (in some cases) what it was on property originating at New Orleans and going to the same destination, and the Commission ordered certain changes to be made, certain relations to be established as to import and domestic rates. That case was carried to the Supreme Court of the United States, and the Supreme Court reversed the Commission on the ground that the Commission had exceeded its authority in making such order. But the policy of the Commission has always been to preserve as near an equilibrium between foreign and domestic rates as circumstances would permit without restricting foreign trade—in fact, encouraging it. But the courts have ruled directly to the contrary. In fact, the operation of our tariff laws has been neutralized in many instances by the operation of preferential rates in favor of foreign traffic.

Senator NEWLANDS. You speak of discriminative rating applying to exports as well as to imports?

Mr. BACON. Yes; to both.

Senator NEWLANDS. Is not the advantage gained by discriminative rates as to exports balanced by the advantage given to imports?

Mr. BACON. Not at all. There is no relation between them. The exports are one class of property, and imports are an entirely different class.

Senator NEWLANDS. But, so far as the protective policy of the country is concerned, the effect of granting a less rate to imports than upon products manufactured at the seaboard would be to do away, to that extent, with the protection afforded by the protective tariff.

Mr. BACON. It neutralizes the import duties.

In that connection I want to lay before you a clipping which I made *a few days ago* from the Washington Post in relation to imported glass.

Certain Pittsburg people were complaining as to the freight rates on glass, which illustrates the case so forcibly that I take the liberty to read it:

The Pittsburg Glass Company yesterday filed a complaint with the Interstate Commerce Commission, alleging that the Pittsburg, Cincinnati, Chicago and St. Louis and 16 other trunk lines, comprising practically every large road in the official classification territory, are carrying foreign-manufactured glass at rates that constitute a flagrant discrimination against American manufacturers, and an investigation is asked. Notices will be immediately served on the roads to make answer to the allegations.

The complaint alleges that these roads, or some of them, acting in concert, have promulgated a special tariff, effective January 1 last, providing that plate glass originating in foreign countries and coming into North Atlantic ports for distribution to various cities in the United States, shall be entitled to a fourth-class rating, whereas a third-class rate is imposed on glass of American manufacture.

Senator TILLMAN. The difference between third and fourth class rates is about 20 per cent.

A MEMBER OF COMMITTEE. Does not that amount to the railroads nullifying the tariff for the protection of our glass manufacturers?

Mr. BACON. That is the very point I am making.

A MEMBER OF COMMITTEE. Unless we can have the Commission authorized to fix rates from the seaboard to interior points without regard to the articles shipped, how are you going to stop it?

Mr. BACON. This power will enable the Commission to stop it. The Commission could fix a rate from New York, Philadelphia, and Baltimore to points in the West that would correspond in proper relation to the rates fixed on import traffic.

Senator McLAURIN. In other words, you would put American glass and imported glass in the same class, either third or fourth?

Mr. BACON. That is it. There necessarily may be a difference between them, but let the Commission find that out.

Senator TILLMAN. How could there be any difference between them? Here is glass at a seaport coming from abroad, and here is glass made in America. Why should you give the foreigner an advantage by having a difference in rate?

Mr. BACON. That is a question for the Commission to decide.

Senator TILLMAN. I disagree with you in toto that there could be any maybe proposition about it. It seems to me that there should be one rate for everybody. There might be a difference between freight for export and freight entered for domestic consumption. I concede that the freight might be reduced to the consumer here, but that is as far as I would go.

Mr. BACON. There are very few competent judges of proper traffic rates; it is only the expert who can determine what they should be.

Senator TILLMAN. I do not believe in taking expert testimony against common sense.

Mr. BACON. We want them to be determined by a disinterested body instead of by interested parties. That is the reason why we desire this power.

Now, let me finish this clipping, if you please:

The complainants allege that the conditions as to labor, freight charges, and other manufacturing costs in foreign countries are such that glass of medium size can be laid down at North Atlantic ports at a price less than the cost of manufacture in this country; that about 65 per cent of the output of American factories is of medium-sized plate glass, duty on which is entirely inadequate for protection, and that during 1904 about 5,000,000 square feet of plate glass of foreign manufacture have been



marketed in this country, notwithstanding that similar glass of American manufacture has been offered and sold at and below cost of production. It is charged that the defendant roads have for years carried the foreign glass at rates of from 15 to 40 per cent less than those charged on American glass.

There are scores of such instances all over the country, as to all sorts of commodities. I present this simply to illustrate the necessity of having a governmental body charged with the duty of determining what these rates should be, not only as to quantities and commodities, but also as to distances as well as to the proper relation between foreign and domestic rates.

Senator TILLMAN. What I objected to was your saying there might be some reason why the rates should differ.

Mr. BACON. Let us drop that and agree upon principles.

Senator TILLMAN. All right; but I disagree with the proposition that there could be any difference.

Mr. BACON. I say that conferring this power upon the Commission will enable that body to correct all these discriminations I have mentioned. These discriminations occur in the published tariff rates, and those rates have become the legal rates under the Elkins Act. No recovery for excessive freight rates, however extortionate they might be shown in a court of the United States, can be secured under the Elkins law, because those published rates are the legal rates, and it would be out of the province of the court, in my judgment, to go behind those rates.

Senator TILLMAN. If you are through with that topic, there is one thing that worries me more than anything else, and that is the proper supply of a sufficient number of cars. Take the case of a coal miner in West Virginia, for instance, who owns coal mines and has built a branch road to the Baltimore and Ohio; he owns his own cars, but it may be that he has not cars enough, and so wants this big road to furnish him a sufficient number of cars to ship his coal, but they will not give him any cars, nor will they give him any joint rates that are at all fair. How are you going to protect him?

Mr. BACON. This bill provides that the Commission shall have the power to determine upon the sufficiency of facilities.

Senator TILLMAN. Does the word "facilities" cover cars?

Mr. BACON. To be sure. It covers facilities of all kinds, it seems to me—warehouses, cars, loading and unloading, and storage.

Senator TILLMAN. You may strain it that way, but I am sure these railroad fellows would not so construe it until forced by the courts. I would rather have the word "cars" in there.

Senator NEWLANDS. What bill do you refer to when you say "this bill?"

Mr. BACON. The Quarles-Cooper bill.

Senator NEWLANDS. That covers all these questions?

Mr. BACON. All these questions of facilities as well as rates, and also covers regulations. If there is complaint made against any regulations the Commission shall entertain that complaint and consider and determine whether those regulations are just and equitable between all parties concerned, not only between shippers, but between the different roads. The original interstate commerce act provides that one road should not discriminate against another.

Senator MILLARD. Do you think those provisions cover private cars?

**Mr. BACON.** In my opinion they do. It may be necessary to enact further legislation for private cars. But I want to say, Senator, that time now is an important element, and that this phase of the question should be entirely omitted from consideration until the next session of Congress. My idea is that Congress is on the road to confer this power upon the Commission, which will completely change the attitude of Congress and of the courts with reference to these questions, and my idea is that at another session of Congress further details that need to be worked out and further abuses can be dealt with more easily and effectively than at the present session. If Congress is not prepared to confer this power upon the Commission, it will be a waste of time to discuss these other matters.

**Senator CULLOM.** What you want us to do is to pass a bill that will give the Commission extraordinary powers, which you have been asking for a long time, and that is the Quarles bill.

**Mr. BACON.** That is it, and let other things go until the next session.

**Senator NEWLANDS.** Have you any bill prepared covering the other things that are not included in the Quarles bill?

**Mr. BACON.** You refer to export rates, and so on?

**Senator NEWLANDS.** Yes.

**Mr. BACON.** I claim that they are all covered in this one general provision.

**Senator NEWLANDS.** You were speaking a little while ago of the system of rebates, and of the importance of giving the Commission the advantage of a continuous inspection of books, etc. I understood you to say that these powers are not included in the Quarles-Cooper bill, but should be provided for in another bill. With reference to those matters, have you any separate bill prepared?

**Mr. BACON.** We have not. The commercial organizations I represent have refrained from preparing any such bill, because we wanted this main question settled first. We do not want any diversion of forces on these side issues, as to which there may be a difference of opinion among members of Congress. The consideration of side issues would be apt to cause debate and division of sentiment, as well as a diversion of the vote. We feel impelled to use all proper efforts to get this power conferred. Let us settle this one question first, and when it shall have been settled rightly then we can get the others settled rightly. But I would advocate the establishment of a system of complete inspection of the railway books of the company similar to the system in operation with reference to national banks.

**Senator NEWLANDS.** When the committee takes this matter up it may be that it would wish to frame a full and comprehensive measure for the accurate and scientific adjustment of all these questions. Assuming the wisdom of such a course as you suggest—that Congress should take this question up first—would it not be well in our hearings also to consider the other abuses to which you refer, so that if that be the sentiment of the committee we can incorporate into some bill provisions covering those matters as well as a provision giving this power to the Commission?

**Mr. BACON.** I shall be on hand at the next session of Congress to advocate other remedial measures necessary, and you will find the same force of public opinion in favor of them as in favor of this.

**Senator FOSTER.** You think you have enough on hand now?

Mr. BACON. Yes, sir. My endeavors during four years before committees of both Houses have led me to the conclusion that the less you embrace in one bill the more likely you are to succeed in getting that bill passed.

Senator TILLMAN. And the more good for nothing it will be.

Mr. BACON. There is a division of sentiment among members of Congress on these questions, and if any of them should be incorporated in the bill we should lose votes. We do not want to lose votes. I am of the opinion, I do not hesitate to say, that if this bill were introduced by itself, disconnected with any other question or with any attempt to remedy further abuses, it would pass both Houses by a two-thirds vote, or perhaps by a larger vote than that. I am very desirous that the vote shall be as large as it possibly can be. Do not let us hazard the success of this one measure by the injection of other measures, about which there may be differences of opinion, in consequence of which on the vote we may lose the whole thing.

Senator MILLARD. What you want is this particular bill?

Mr. BACON. I am not wedded to any particular bill. If you Senators can provide a better bill than this, I shall hail it with joy, but this bill is the result of four years of study on the part of the various interests concerned—shippers in the first place and railways in the second place and those charged with the enforcement of the law also. The Commission know the terms of the bill, and think it is about as complete and effective for the purposes we desire as can be framed, though you Senators may be able to improve it.

Senator CULLOM. You do not want any more hearings on this subject, but want the committee to get right down to business. Is that your idea?

Mr. BACON. That is my idea, and I shall be very glad if the committee can reach a conclusion before the House bill comes here, which it is expected will come about the 1st of February. If you should be able to reach your conclusion before that time, it will not be necessary to spend further time in its consideration, but you will be able to report promptly to the Senate.

Senator CULLOM. Will the House pass the Quarles-Cooper bill, do you think?

Mr. BACON. I understand Chairman Hepburn is preparing a bill framed on similar lines, with perhaps some differences in regard to review by the court, which may be adopted by the committee as a substitute. But the precise point we are after is embodied in the Quarles bill.

The CHAIRMAN. How soon do you think they will reach a conclusion?

Mr. BACON. My information is that Mr. Hepburn is about ready to report.

Senator CLAPP. I understand provision is made for nine judges.

Mr. BACON. Nine circuit court judges—one from each circuit.

Senator CLAPP. And that the Commission will have 11 members?

Mr. BACON. Nine members; but it provides that of these additional judges the Supreme Court shall select five judges from the circuits, who shall constitute a court of commerce to review cases which shall be within their exclusive jurisdiction.

Senator CLAPP. Do you not think that adding to the features of the pending bill a provision for nine circuit court judges and to increase the Commission to that extent is going to lead to a diversity of opinion *that may retard rather than expedite the passage of the bill?*

Mr. BACON. I would rather see that omitted, keeping the bill down to one thing, and then fix the court proceedings afterwards; there will be ample time for that, because if the bill passes it will be a year or more before that newly organized court will have any business before it. That is the way the bill is framed, however, and it is very probable that it will be reported, with perhaps some modifications by the committee.

Senator NEWLANDS. Mr. Bacon, I understand your position to be that you would like this bill (the Quarles-Cooper bill) passed, but you propose to follow it up by measures to be urged hereafter with the expectation in the end to reach a scientific and comprehensive plan covering whatever is best in the way of railway legislation.

Mr. BACON. That is my idea exactly.

Senator NEWLANDS. I desire to question you a little about such a general and comprehensive plan, not with a view to delay the consideration of this particular bill, but with a view to seeing whether this bill, if it should pass, will fit into the general plan.

Mr. BACON. It is the ground work of the plan.

Senator NEWLANDS. I questioned you the other day when you were before the committee regarding a plan that I had in mind for unifying and simplifying the railway system of the country through a national incorporation law.

Mr. BACON. I was very much interested in it.

Senator NEWLANDS. That plan involved the valuation of the railroads by the Interstate Commerce Commission; a fixed percentage tax upon gross receipts, so that taxes would be certain. Such taxes to be distributed among the States and a return to the stockholders of not less than 4 per cent on the valuation fixed by the Commission so as to make dividends certain; thus leaving the profits from any increase in business to go largely to the betterment of the roads, the increase of wages, or the reduction of rates. Now, I desire to ask you whether you have thought over that plan at all since you were here last?

Mr. BACON. I have read your remarks on that subject in the Senate with a great deal of interest, and I can say that they meet my hearty concurrence, and that great good will come from it if it can be worked out. But, as I said before, when you were interrogating me before the committee, it will take time to accomplish it. However, it is a good thing to have it under consideration, and I think the more it is studied and considered the more it will commend itself to the minds of those who study it. But it will take a long time to bring it about.

Senator DOLLIVER, did I answer the question you asked?

Senator DOLLIVER. Not exactly. I want to get a little more definitely how much the power to fix rates would interfere with the great conspiracy of railroads to discriminate between communities.

Mr. BACON. The power to fix rates will have the desired effect upon discrimination between localities.

Senator DOLLIVER. I am not talking about rebates; I am talking about the railroads favoring one community as against another.

Mr. BACON. It is a violation of the Elkins act to make rebates, for that act provides that there shall be no deviation in any manner from the published tariff rates issued from the Commission.

Senator DOLLIVER. There may be some question whether it is a violation of the Elkins act, but I understood you to say that the Elkins act is applicable only to individuals.

Mr. BACON. It prohibits any deviation from the published tariff

rates, and in that way operates to produce the effect referred to as to discrimination between individual shippers.

Senator DOLLIVER. Then, why could it not be reached by injunction from the courts now?

Mr. BACON. That is too slow a process. The question must first be decided by a competent body whether discrimination exists in the rates as published. If it be found to exist, then the question has to be considered as to what change is necessary to remove that discrimination. Then the question will come before the court for review of the order of the Commission, but it is utterly impossible to be reached in any other way. The Elkins Act says:

The willful failure upon the part of any carrier subject to said acts to file and publish the tariffs or rates and charges as required by said acts or strictly to observe such tariffs until changed according to law, shall be a misdemeanor, and upon conviction thereof the corporation offending shall be subject to a fine not less than \$1,000 nor more than \$20,000 for each offense. \* \* \* Every person or corporation who shall offer, grant, or give or solicit, accept or receive any such rebates, concession, or discrimination shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than \$1,000 nor more than \$20,000.

I consider that provision actually preventive of the practice of making rebates or of making any reduction or concession in any way whatsoever from the published tariff rates.

The CHAIRMAN. Upon reading further you will see that it provides for what you have referred to in regard to private-car arrangements, switching arrangements, and the allowance of fictitious claims.

Mr. BACON. It could not be more comprehensive.

Senator NEWLANDS. Your contention is that the law now covers these matters?

The CHAIRMAN. Let me read further—Senator Clapp and I studied over this together:

Whereby any such property shall by any device whatever be transported at a less rate than that named in the tariffs published and filed by such carrier, as is required by said act to regulate commerce and the acts amendatory thereto, or whereby any other advantage is given or discrimination is practiced.

It seems to me that covers everything if the law is only enforced.

Senator DOLLIVER. I have not yet got in my mind what you mean by discrimination between localities. I want you to give me a typical illustration of that.

The CHAIRMAN. The railroads publish the rates as required by law, but still they go on violating the law.

Mr. BACON. Then it is for the legal department of the Government to ferret out the cases of violation. But since the act those cases have been reduced to a minimum number.

The CHAIRMAN. I am so informed.

Mr. BACON. I do not hear of any complaint from any commercial organization of the country, and I have made many inquiries.

The CHAIRMAN. The Pennsylvania Railroad has not given a rebate since the act was passed, and they do not want to. It has been a benefit to the railroads, don't you think so?

Mr. BACON. It has benefited the railroads by millions of dollars.

The CHAIRMAN. I mean the good railroads.

Mr. BACON. It will undoubtedly effect a saving of upwards of a hundred million dollars a year.

Senator NEWLANDS. Do you understand that these discriminations and preferences that are engaged in by the railroads are practiced as a *matter of choice* by the railway managers, or because of the condition

of competition and because of the fact that the law is such that they are in a measure forced to resort to them in order to hold their business?

Mr. BACON. It comes partly from the desire to build up certain localities in which they are specially interested. For instance, I had a letter recently from a gentleman in the State of Washington, in which it was stated that the railroads were doing all they could to build up the business of Seattle, because that was a terminal point and they had invested a great deal of money in docks and facilities for doing business there, and their effort was to bring everything to the coast at the expense and detriment of intermediate points. The points farther east, which are practically being charged for freight from Chicago or New York to Spokane, for instance, in eastern Washington, pay not only the same rates as charged to the Pacific Coast at Seattle, but, in addition, the rate back from Seattle to Spokane, in that way establishing the rate from Chicago to Spokane. Of course they feel very much injured by that practice.

The CHAIRMAN. The answer to your question, Senator Newlands, is in this act, which provides:

Every person or corporation who shall offer, grant, or give or solicit, accept or receive any such rebates, concession, or discrimination shall be deemed guilty of a misdemeanor.

Senator NEWLANDS. Is that in the act?

The CHAIRMAN. Yes, it is in the law.

Mr. BACON. It is made a misdemeanor to even make an offer.

The CHAIRMAN. A big shipper—I will not name any trust—would say I can get a rate one-eighth less. Then, of course, the railroad people would say we will have to take it. But the law covers that. We put that in the law so as to cover both giver and taker, as in the case of bribery, so that they shall both be punished alike, and it will creep out pretty soon that there will be some cases against both givers and takers.

Mr. BACON. Let me answer Senator Newlands more fully. The second part of his question I did not answer. It is a fact that the railroads are led to give rebates in order to obtain business which they could not obtain otherwise. In fact, they are held up, to a large extent, by large shippers, and they must do it rather than run the risk of losing business. But the present law covers that, as Senator Elkins says, both as to offering and soliciting. It is made a misdemeanor whether it is carried out in fact or not. I do not see how it could be more effective than it is.

Senator FOSTER. Rate-making powers were exercised by the Commission for a number of years, I believe.

Mr. BACON. That power was exercised during the first ten years of the existence of the Commission.

Senator FOSTER. Were there any great number of complaints, either by the railroads or by the shippers, as to the exercise of that power?

Mr. BACON. I think during that ten years the condition as between the railroads and the public was more satisfactory than ever before or since. I say that from close observation and extensive knowledge of traffic affairs in this country for forty years.

Senator DOLLIVER. One very interesting fact has struck me, and that was that the cumulative abuses of twenty years should in the first few years of the existence of the Commission have produced so few complaints.

Mr. BACON. My observation is that in the first two or three years when cases were brought before the Commission and the Commission ordered certain changes in rates, they were promptly made, and it was generally regarded by the railroad companies that the Commission had power to make those changes.

Senator FOSTER. This bill is practically to restore to the Commission the rate-making power which it exercised prior to the decision of the Supreme Court?

Mr. BACON. I should not want to use the word "restore," because the Supreme Court said the Commission never had the power, and therefore it could not be restored. The experience of that ten years immediately after the organization of the Commission, it seems to me, altogether throws to one side the theoretical statements in regard to the disastrous effect it will produce both upon the corporations and the people.

Senator CULLOM. What was it you stated to the Committee about the Commission during that period of time undertaking to fix a rate upon complaint made that the rate was unreasonable in some locality?

Mr. BACON. Originally the law was not limited to complaint, though, as a matter of fact, the Commission never did make such an order, except upon complaint. This bill limits them to complaint.

Senator FOSTER. When they fixed a rate it was usually acquiesced in by the roads, was it?

Mr. BACON. For a number of years it was universally acquiesced in.

Senator MILLARD. Do you understand that the roads are now giving rebates?

Mr. BACON. I remarked a few moments ago that in my extensive connection with commercial organizations I have failed to learn a single instance where rebates were being paid.

The CHAIRMAN. Mr. Bacon, are you about through, or do you want more time?

Mr. BACON. I am subject to the pleasure of the committee.

The CHAIRMAN. The reason I ask is because it is nearing the time when we must go into the Senate, and Mr. Robinson is here and would like to be heard five minutes.

Senator NEWLANDS. I would like to ask Mr. Bacon one more question: Is it your understanding that this Quarles-Cooper bill is opposed by the railroads of the country, or do part of them favor it and part of them oppose it?

Mr. BACON. I am not prepared to answer that question, because I am not in communication with the railroads of the country. But I will say that I do not know a single company that is willing to have this power conferred upon the Commission which would restrict them in the exercise of their power to fix rates upon such ideas and by such methods as may suit themselves.

The CHAIRMAN. It is about time to adjourn. I wanted to hear Mr. Robinson five minutes, but we will have to fix another day for that.

Mr. ROBINSON. I will only say that I wanted to emphasize the fact that it was a sugar case that came from New Orleans upon which the Supreme Court rendered the decision that has been referred to. I can do that in three minutes.

Senator FORAKER. I have been compelled, on account of duties in other committees, to be absent from this hearing to-day. It was my desire to attend, for I wanted a chance to ask some questions, and I

want to ask Mr. Bacon some questions about the testimony that I heard just now as I came in the room.

The CHAIRMAN. We will have to fix for another meeting, evidently. We will now have the doors closed and consider the question of when to hold the next meeting, as well as some other business we have before us.

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INTERSTATE COMMERCE COMMITTEE,  
UNITED STATES SENATE,  
*January 20, 1905.*

**STATEMENT OF CHARLES F. STAPLES.**

The CHAIRMAN. Please state your name and your occupation.

Mr. STAPLES. Mr. Chairman and gentlemen of the committee, I am a railroad and warehouse commissioner of Minnesota.

I appreciate thoroughly the courtesy extended our committee by this committee of the Senate. Having learned that our time would be very limited, I have endeavored to boil down what I think most important, from my standpoint, and which I most desire to say, and will beg the indulgence of the committee for just about fifteen minutes without interruption, if that is not impertinent, and at the close shall be pleased to answer such questions as I am capable of answering.

I want to say simply this at the outset, that I am not an attorney, and therefore do not pretend to know anything except the practical side of the question. That is based largely on my experience as commissioner and legislator in the State of Minnesota.

Senator NEWLANDS. How long have you been a commissioner?

Mr. STAPLES. Four years. I was also a member of the legislature for several years preceding.

We feel sure, gentlemen, that in addressing you our committee represents the conservative judgment of our association, and which in turn reflects the popular demands of our several States.

Furthermore, permit me to say we do not in any sense come here to fight or antagonize the railway interests of the country.

A careful study of the situation to-day will convince you that the unification of railway interests has progressed to such an extent through actual consolidation, control of stock in previously competing lines, the affiliation of stockholding interests (more often called community of interest plan), and by other means that open competition between carriers which formerly served to keep down transportation rates and certainly to a large extent served to prevent unreasonable increases, has been very largely suppressed.

These conditions, being no longer factors, can not be relied upon for the control of rates. Competition is naturally the result of self-interest and can only come from the independent activities of those engaged in trade and commerce, and can not be forced by legislation. Without effective railway competition and with no practical law for

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public control the public is really defenseless and must submit to conditions and burdens often manifestly unfair.

I do not argue that open competition among railways is desirable. Most conservative and progressive men agree that the railway companies could not live and prosper under the old method of active competition which only results in a demoralized rate situation. The managers of these great interests are responsible to the stockholders and in the end must show at least a reasonable earning on the legitimate investment. The laws recognize them as entitled to this and the public want them to have it.

What we want is such effective legislation as will authorize some public body to act as arbiters between the transportation companies and their patrons, thereby affording protection from excessive or unfair charges or discriminating practices in the movement of commerce between States and which will insure to shippers and localities equal treatment and a system of rates at once fair both to the shippers and remunerative to the carriers. Here, gentlemen, let me say it often happens that the carriers need protection from the secret demands and exactions of large shippers. We have the "Elkins law," which is a help and in a measure affords protection to both sides.

The chief complaint now is that the transportation companies are the sole arbiters as to what is fair and reasonable treatment. The law of 1887 was sufficient to meet the situation, but its language was unfortunate. Under the rulings of the courts the Government has been gradually losing control, while the tendency has been for the management of railway companies to centralize. Weak companies have been obliged to go out of business or have been absorbed by stronger ones, so that at the present time no one disputes the fact that the great share of mileage is controlled by very few men. These men naturally represent the stockholders. Can we at the same time ask them to be philanthropists?

I heard a railroad man before the House committee ask, "Is it proposed here to appoint five men who shall dictate to the railway companies of this country what they shall charge for carrying freight?" Let me ask the gentleman if the situation to-day is not that about that number of railway men dictate to the people what they shall pay in the shape of charges? No; all we ask is that some middle agent may inquire into a complaint from either the carrier or shipper and find what is reasonable and fair, then have power to enforce its order, subject always to review in the courts. No possible act can deny this last right.

The inadequacy of making rate regulations dependent upon rates as applied in the past without reference to rates to prevail in future must be apparent to all. The real parties to suffer are without remedy.

If rates and conditions existing in different localities are fair and reasonable, why object to an inquiry by an impartial tribunal? I can not believe that any body of men vested with power to arbitrate between the carrier on one side and the shipper on the other and appreciating the grave responsibilities placed upon them, after hearing all the testimony on both sides, will do otherwise than render a fair decision.

Surely such a body of men, composed as it would be of men chosen especially for fitness and with all the training they get, is as capable

of passing upon the questions as are railway officials. Rate making is at best an arbitrary matter. All traffic men will tell you so (and it is due them to say they are the brightest men we have). The great problem always is to approximate what share of the whole burden shall a particular traffic stand. I can not enumerate here the many things to be taken into consideration. I think the records will show that complaints are largely of discriminations, or unfair relations of rates, rather than that the rates are too high in themselves; and surely, it must be conceded, such questions should be submitted to some intermediate body for review and not leave the shipper or community wholly in the hands of interested parties.

Supposing the rates on certain goods or commodities to a common point west of Chicago and St. Louis are made to favor the shippers at one of the points; is not a great injustice possible when the whole question rests with the carriers as it does to-day? Let us remember that for a full remedy you must confer power to raise as well as lower rates. This exercise may not often be justifiable, but it is sometimes the right solution.

The most of the States we represent have laws affording satisfactory control over State traffic, and our mission is to show that public sentiment is now strongly crystallized in favor of such legislation as will restore to the Interstate Commerce Commission the powers supposed to have been conferred by the laws of 1887. We are not advocating any particular bill. I have seen but one bill, and that is the original so-called "Quarles-Cooper bill." There is much sentiment in its favor, but this is based on the supposition that it will meet the objections found by the courts to the former law. This may have been the intention, but I think this an erroneous idea. The strong feature of the bill is the provision restoring the power to declare what shall be a fair and reasonable rate, with power to enforce an order.

One very grave cause for complaint to-day is the abuse of the so-called "long and short haul" clause, and this is in no way reached in this bill. Section 4 of the law of 1887 to a layman seems to be ample, but our Supreme Court has clearly decided that the language of the law leaves it to the judgment of the railway companies as to whether the competitive conditions at the terminal points are such that they are warranted in abrogating the "long and short haul" provision, where it was clearly intended that in all cases application should be made to the Commission and their findings should govern. The law is now practically a dead letter, often resulting in gross injustice, and should be remedied. The Minnesota statute, worded slightly different, has been tested and held good.

Senator CULLOM. You mean that provision of the fourth section?

Mr. STAPLES. I mean the fourth section.

Senator ALDRICH. That never was the intention of Congress. I do not know what your opinion is, but it was never intended that that provision should be submitted to the Commission. I know that because I had something to do with that.

Mr. STAPLES. The Minnesota statute is worded slightly different.

Senator NEWLANDS. That is as to the long and short haul in your State?

Mr. STAPLES. Yes, sir. At the close I wish to cite one or two instances in regard to the long and short haul clause.

Senator CARMACK. There is a similar provision in your State law?

Mr. STAPLES. Yes, sir; with reference to State traffic, of course.

A merchant buys barley destined for Louisville, Ky., pays local freight to Minneapolis and through back to Chicago, where connecting line takes car, and by this means saves one-half cent per hundred. If he ships direct to Louisville, he must pay local rate to Chicago, where the connecting line takes car and, because it originates at an intermediate point, charges 5 cents per hundred more than if it had originated at Minneapolis.

The law does not seem to be broad enough to confer power to require two or more companies to put in and maintain through joint rates. This is very essential if full relief is to be granted. In the section providing for review by the courts it reads, the court may dismiss, affirm, "or modify." I simply want to call attention to the words, "or modify." If a rate is at issue, the court can not modify, this being a legislative function, but will affirm or deny and this solely on the question of whether the rate is confiscatory or not.

Senator FORAKER. That is, I understand you to state, that unless the rate as made by the Commission is confiscatory the courts would have no power to interfere?

Mr. STAPLES. That is the position I take.

Senator FORAKER. Do you think the Quarles-Cooper bill raises a difficulty of that kind; or rather, that that is one of the difficulties that it does raise?

Mr. STAPLES. One moment, if you please. What is your question?

Senator FORAKER. You have stated the difficulty—that is—one of the difficulties. What I wanted to get the benefit of was your view as to whether that is not the very question at the foundation of the Quarles-Cooper bill?

Mr. STAPLES. I think it is one.

Senator FORAKER. If your point is well made, is not that fatal to any revision of the rates by the court except in cases where they are confiscatory?

Mr. STAPLES. Of course, while I wish to finish the reading of my paper, I want to answer that question here.

Senator FORAKER. I do not want to interrupt you, but my idea is not so much to hear a paper read as to get information.

Mr. STAPLES. That is all right, Senator. I am going to answer that question, and I will answer it now.

Senator FORAKER. I see you have given great thought to this matter.

Mr. STAPLES. I have no reputation as a lawyer to lose. My judgment is based upon particular findings or opinions of the courts and upon conversation with the several members of the Interstate Commerce Commission; and I make the assertion that no court would modify the findings of a commission on the question of the reasonableness of a rate, but will either find the rate confiscatory, or otherwise affirm or deny the remedy upon the issue.

Senator FORAKER. That is to say—if I am not interrupting you too much—you are of opinion that the matter of fixing rates is legislative?

Mr. STAPLES. Legislative entirely.

Senator FORAKER. And that if entrusted to the Commission, when the courts are called upon to review a rate fixed, on the argument that

it is a legislative act the court will not interfere with it unless it finds that the rate is confiscatory.

Mr. STAPLES. Exactly so. I do not confine this to that particular rate, but will take the system as a whole.

Senator FORAKER. Take the whole field of operations?

Mr. STAPLES. Yes, sir.

Senator NEWLANDS. But it need not necessarily be confiscatory, as I understand it. The Supreme Court has determined that in exercising this power the Interstate Commerce Commission must have in view a fair return upon the value of the property.

Mr. STAPLES. Always.

Senator NEWLANDS. I assume that if the Commission should violate that principle the courts would set aside its action.

Mr. STAPLES. No doubt.

Senator NEWLANDS. Therefore it would not involve the extreme case of confiscation of property. It would involve simply the case of an oppressive rate which failed to return to the company a proper interest upon its value.

Mr. STAPLES. I agree with you; although I think they are quite synonymous.

Senator NEWLANDS. I think confiscatory is a somewhat extreme term. That means absolute deprivation of property.

Mr. E. P. BACON. Mr. Chairman, I should like to say something here.

The CHAIRMAN. Let Mr. Staples proceed, if you please.

Mr. STAPLES. Any law passed should provide that the findings of the Commission are prima facie, thus requiring the company to prove the order to be unreasonable if taken to the court.

Some claim the remedy for a party complaining of a high rate lies in a suit for recovery of damages. This may be good in theory, but mighty hard in practice. Assuming he can afford the cost of litigation he is liable to die before the final decision, but more likely if the rate is unreasonable, as compared with the rate given some competitor at another point, he will be driven out of business.

If he continues to ship under the rate he should never recover, for he is not the real sufferer. This would fall upon the producer. As a rule, the shipper is the middleman and looks mainly to questions of equity in rates. In administering the law experience shows that in most cases complaints are confined to one rate or to rates on one commodity, and after the machinery is once in order it is safe to say the Commission could care for it.

We should not treat the transportation companies as private corporations. They exercise the rights of eminent domain and are organized under public franchises for the sole purpose of performing public service for hire, and have been held repeatedly by our courts to be subject to public control. Can one imagine for a minute the railway companies consenting to a law providing that the former shall have the final say as to the price to be paid for his land needed for right of way purposes? This would only transfer the shoe.

No one to-day questions the right, necessity, and wisdom of public control of telephone, telegraph, express, and street-car companies. We go further and include grain-elevator companies, stock yards, and even the man whose whole fortune is invested in a hack must

submit. We do not stop at how they should conduct their business but arbitrarily fix the charges. Is it not more necessary to regulate under reasonable safeguards the business of the great transportation companies of the country?

In closing, Mr. Chairman, permit me to say there is no feeling antagonistic to the railways in the Northwest, and certainly no sentiment favoring legislation which will in the least degree cripple the legitimate development and growth of their properties, but there is a well-grounded and strong public desire for immediate legislation which shall provide for reasonable Government control over interstate commerce.

Now, I want to cite two cases as to abuses under the present law, premising my statement with this: That the courts have found that the question of determining when that provision should be abrogated because of competitive conditions at terminal points rests with the judgment of the railway companies. I am very clear upon that point. The Commission here can only hear complaints and make recommendations, but they can not find what is reasonable. Those recommendations may be, and sometimes are, observed, but more frequently they are unobserved and they fail to comply with them.

To cite an instance, I have two cases in my mind—one I referred to before the House committee the other day. It is very clear. The grain rates between St. Paul-Minneapolis and Chicago are fixed by the companies.

Now, a shipper at an intermediate point on the main line can take his grain and ship it to Louisville through Minneapolis, pay the local rate, rebill it to Chicago, have it go back, passing through his own town, and save half a cent a hundred in freight charges. I present that as one discrimination which the Interstate Commerce Commission is powerless to remedy. The Commission is absolutely powerless to regulate that question. I do not say that conditions may not be right, but they should be reviewed.

Let me cite another instance: At Cannon Falls,—that case has been taken up by our commission and is now before the Interstate Commerce Commission—the rate to Chicago is 15 cents a hundred on grain; the rate from Cannon Falls to Minneapolis is 7 cents a hundred; the rate from Minneapolis to Chicago is  $7\frac{1}{2}$  cents a hundred. The shipper can ship his grain to Minneapolis and thence to Chicago and save half a cent a hundred. But that is not the worst feature. The shipper who wants to buy rye or barley to be sent to Louisville, Ky., if he bills that from Cannon Falls and pays the local rate to Chicago—the barley having been billed from an intermediate point to be sent on a connecting line south from Chicago—that shipper is charged 5 cents a hundred more on his barley than on barley originating at Minneapolis.

Senator CULLOM. Is that all under the fourth section?

Mr. STAPLES. Yes, sir; entirely under the fourth section.

The CHAIRMAN. This is interesting and instructive, Mr. Staples. If you can add anything more to this, in the way of examples, you may add that to your statement. Please also cover in your statement the Minnesota statute to which you refer.

Now it is past 12 o'clock and many of the Senators present must go into the Senate. But we must have an executive session.

Senator CULLOM. Suppose a violation of the fourth section takes

place, the attention of the Commission is called to it, and they undertake to regulate it. Does the railroad company ever refuse to comply with the Commission's request or order in the premises in such a case?

Mr. STAPLES. In the majority of cases—I will not say the majority, for I do not know the percentage—but in a large number of cases they do not pay any attention to the recommendation.

Senator CULLOM. After the Commission has investigated it?

Mr. STAPLES. After they have carefully and thoroughly investigated, with a hearing open to both sides, both sides notified and present and heard.

Senator CULLOM. You remember, at least I do, that the words “under substantially similar circumstances” are in that fourth section.

Mr. STAPLES. Yes, sir; I remember them well.

Senator FORAKER. What is your remedy? I do not understand you to be satisfied with the Quarles-Cooper bill. I think you said so in so many words.

Mr. STAPLES. Understand me, I am not antagonizing any particular measure.

Senator FORAKER. But I want to get the benefit of practical suggestions from you.

Senator CULLOM. What specific language do you want to go in there?

Mr. STAPLES. I will have to answer that in this way: The language of the Minnesota statute I can not quote explicitly, but that case has been before the court and has been upheld. That statute provides that the Commission can exercise jurisdiction in determining that point at issue, whereas the interstate law is worded slightly differently, and has been held to leave it to the judgment of the railway companies. I will furnish you with a copy of our statute.

Senator FOSTER. You want that finding enforced as declared by the Commission?

Mr. STAPLES. Yes, sir; so that all these troubles, under the long and short haul clause, and discriminations, if discriminations are found to exist, shall be subject to review by the Commission, and then that they be authorized to make and enforce an order finding that those discriminations and abuses had existed or dismiss the complaint.

Senator FORAKER. Suppose you strike out the words “under similar circumstances and conditions,” and simply give them power to fix rates on long and short hauls; then they would not be at liberty, I suppose, to take into consideration water transportation; they might compete with other railroads as to localities.

Mr. STAPLES. I think they ought to take that into consideration but they would hardly be able to do so.

Senator FORAKER. That is what I want to get at, whether you want those words out.

Mr. STAPLES. I do not think you should eliminate them.

Senator DOLLIVER. Is not what you complain of perfectly covered by the last clause of section 3 of the act of 1887?

Mr. STAPLES. It seems not.

Senator DOLLIVER. That seems to provide against discriminations between individuals and localities or classes of merchandise, and says they are all unlawful.

Mr. STAPLES. To answer your question, as I read section 1 of the Quarles bill—I have read it a dozen times, thinking that that in itself

would cover these complaints against the so-called long and short haul clause, but the more I studied it the more I became convinced that I was mistaken. You can not, by implication, read anything into a law, I find. I considered that question very carefully with the Interstate Commerce Commission people for some time and I will quote them. They say there is absolutely no way to make such a complaint effective.

Senator DOLLIVER. In the case you name, of 7 cents from Cannon Falls to Minneapolis and 7½ cents from Minneapolis to Chicago, is not that an example of discrimination against Cannon Falls?

Mr. STAPLES. You would think so.

The CHAIRMAN. Mr. Staples, do you have to go away to-night?

Mr. STAPLES. Yes, sir.

Senator NEWLANDS. What proportion of the freight business of the State of Minnesota is domestic, and what interstate?

Mr. STAPLES. Fifty per cent, practically.

Senator NEWLANDS. It is about equally divided.

Mr. STAPLES. Practically.

Senator FORAKER. I would like to hear an answer to my question.

Senator DOLLIVER. Section 3 of the act of 1887 makes unlawful any undue or unreasonable discrimination or advantage to any particular person, company, firm, corporation, or locality, on any particular description of goods, in any respect whatsoever.

Mr. STAPLES. That is true, and section 1 of the Quarles-Cooper bill does pretty near the same thing.

Senator DOLLIVER. And section 2 of the act of 1903 says that whenever the Interstate Commerce Commission shall have reasonable grounds for believing that any common carrier is engaged in the carriage of passengers or freight traffic between given points at less than the published rates on file, that is a discrimination forbidden by law, and a petition shall be presented alleging such fact to the circuit court of the United States, which shall take summary proceedings about it.

Mr. STAPLES. The question may arise whether that does not really cover the rebate question.

Senator FORAKER. But you put a question that involves an illustration.

Senator DOLLIVER. Yes. Is not that rate of 7½ cents from Minneapolis to Chicago, as compared with 15 cents from Cannon Falls on the same line, a discrimination under section 3 of the original interstate-commerce law?

Senator FORAKER. If it is so, can you not go into the circuit court and have a summary proceeding to remedy it?

Mr. STAPLES. Only upon the theory that the rate is an unreasonable one, and the remedy is a long ways from reaching the people.

Senator FORAKER. There is a discrimination there.

Mr. STAPLES. I agree with you, that I read that in that way; but the courts have placed the construction upon the present law which will not admit it.

Senator DOLLIVER. Has the Interstate Commerce Commission ever gone into court to test the legality of any such discrimination as that under the present law?

Mr. STAPLES. Yes, sir.

Senator FORAKER. I do not understand that the courts have ever decided that they will not grant relief in a case where proper proceed-

ings have been had. No court has ever so held. The cases that have been brought, based upon alleged discriminations, have always, so far as I am acquainted with them, failed on the ground that the court found that there was no discrimination; that is to say, when you take into consideration substantially similar circumstances under the act, they found that there was no discrimination; that there was no reason for making a rate.

Senator ALDRICH. Mr. Staples, you are here as the representative of an association of commissioners of various States?

Mr. STAPLES. Yes, sir.

Senator ALDRICH. You have definite ideas, arrived at after consultation, as to the evil complained of and as to the remedies which you have suggested?

Mr. STAPLES. In our judgment.

Senator ALDRICH. Have you any objection to putting in the form of a bill the suggestions you have made?

Mr. STAPLES. Not a word of objection.

Senator ALDRICH. If you are willing, why not do that?

Mr. STAPLES. I think it would be presumptuous.

Senator ALDRICH. You are asking us to remedy certain evils; you say you are not for any particular bill, but you have made suggestions as to various provisions of the existing law and suggested other laws. It seems to me that you could put into a bill the suggestions you have stated here.

Mr. STAPLES. You do our association a very great honor, which is highly appreciated. I am not one of those who wish to assume the position of being here to dictate to Congress.

The CHAIRMAN. But you can suggest.

Senator ALDRICH. You are suggesting evils and remedies.

Mr. STAPLES. We only endeavored to emphasize certain points and certain weaknesses in the present law, and we have given you, gentlemen, such information as our experience and contact with this question has given us.

Senator ALDRICH. We welcome all that, but we would rather have in definite and concrete form any possible remedy that you can suggest.

Senator CARMACK. It seems to me that after these gentlemen have stated the evils of which they complain, and have suggested certain remedies, then it would be proper for this committee to draw the bill.

Mr. STAPLES. That is my view.

Senator CARMACK. Of course we do not object to these gentlemen putting their suggestions into the form of a bill.

Senator FORAKER. You know better what you want than we do, but we should be glad to have the benefit in concrete form of the suggestions you have made here. Let me ask another question before we get away from Cannon Falls. That is something that illustrates the trouble you complain of. There is a difference of about 10 cents in freight rates between Cannon Falls and Chicago on the one hand and Minneapolis and Chicago on the other.

Mr. STAPLES. Fifteen cents from Cannon Falls.

Senator CULLOM. What is the difference in mileage?

Mr. STAPLES. The difference is 49 miles; that is, it is 49 miles from Minneapolis to Cannon Falls.



Senator FORAKER. Do you think that is unjust discrimination?

Mr. STAPLES. Yes, sir; but I do not say to the extent of the difference in the rate.

Senator FORAKER. How long has that unjust discrimination been going on? I am not asking in any controversial way; I want to get at something practical.

Mr. STAPLES. I can say two years, perhaps longer; I am not positive.

Senator FORAKER. Has anybody undertaken to go into court to have that wrong, if it be a wrong, righted?

Mr. STAPLES. It has been taken up by the Interstate Commerce Commission.

Senator FORAKER. You have heard read the statute that we passed two or three years ago in regard to rebates and discrimination, and which provides that the very moment a person presents a petition making a complaint in any circuit court having jurisdiction it is the duty of that court to set aside every other business and pass upon the merits of the petition in a summary way.

Senator DOLLIVER. I will add that that section provides also that the same proceeding may be had independently of the Commission, upon order of the Attorney-General or by any district attorney of the United States.

Senator FORAKER. By that act we have given you a summary remedy. I know we deliberated upon it in the Senate, and we thought we were giving you an available remedy when we said that the court should set aside the claims of all other litigants. But now for two years, and during the time you think these unjust rates have been in force, I understand you that nobody has applied to the courts for relief?

Mr. STAPLES. Yes, sir.

Senator FORAKER. Could you get a better remedy than that?

Mr. STAPLES. Yes, sir; if it continues ten years longer, in my judgment there will not be two complaints filed, because the people who feel oppressed will not take their cases into court, for they can not afford it.

Senator FORAKER. Does not this Quarles-Cooper bill require you to go into court? Is not that the basis of it?

Mr. STAPLES. But that is not the method the public will adopt to adjust their difficulties.

Senator FORAKER. I am flooded every day with petitions to support the Quarles-Cooper bill, and they nearly all refer to something said by Mr. Bacon or somebody else, and that has led me to suppose that was the bill you favored.

Mr. STAPLES. I am not representing Mr. Bacon.

Mr. BACON. That was framed as a basis for you Senators to act upon.

Senator FORAKER. Who framed that bill?

Mr. BACON. That was the development of four years of discussion between various interests.

Senator FORAKER. Are you satisfied with that bill, or do you want something else?

Mr. BACON. There are conditions of extreme necessity, but I do not want to bring them before Congress now.

Mr. STAPLES. I know nothing of Mr. Bacon's relations here.

Senator FORAKER. If you propose to go into court, under the Quarles Cooper bill, is not the going into court a safeguarding of everybody's interests?

Mr. STAPLES. I do not believe there is a safeguarding, except upon the question of rebates. I believe that is amply provided for in the so-called Elkins Act.

Senator FORAKER. That is already provided for.

Mr. STAPLES. Yes, sir.

Senator NEWLANDS. Your contention is that resort to the court by anybody aggrieved is not a remedy that will be accepted by any large number of persons aggrieved?

Mr. STAPLES. Emphatically so.

Senator NEWLANDS. Give your reasons for that.

Mr. STAPLES. Two reasons. One is because of the length of time necessary to have the question adjudicated. Another is that it is absolutely necessary for the party complaining, or practically necessary, that he shall either retain a lawyer or go to the expense of hunting up some district attorney, who is always busy.

The CHAIRMAN. The law is that the Interstate Commerce Commission shall on complaint take that up. The expenses are all borne, as we have understood, by the Government.

Mr. STAPLES. I appreciate that.

The CHAIRMAN. The shippers are put to no expense at all, but that duty is devolved upon the Interstate Commerce Commission.

Mr. STAPLES. The Interstate Commerce Commission have heard this question. It is now before them for decision, or is under consideration by them, and when they have completed their consideration they will either dismiss that complaint or make recommendations.

Senator FORAKER. How long were the hearings?

Mr. STAPLES. I think I am safe in saying it has been about a year; no, it was last summer that it was heard.

Senator FORAKER. When did they get through with the hearing?

Mr. STAPLES. The briefs were filed the latter part of last December.

Senator CULLOM. By whom?

Mr. STAPLES. By the attorney-general of the State of Minnesota on one side and by the railway companies on the other.

Senator FORAKER. So that the Commission has been nearly a year in hearing this very bald case about the Cannon Falls discrimination?

Senator ALDRICH. Who paid the expense of that hearing? Does it cost any more to go before the Commission than to go before the courts?

Mr. STAPLES. Experience has shown that aggrieved parties will not go into court.

Senator DOLLIVER. But in this case the law authorizes and directs the Interstate Commerce Commission itself to go into court.

Mr. STAPLES. I appreciate that.

The CHAIRMAN. Mr. Staples, we have been very much pleased with your statement.

Senator CLAPP. I want to say that Mr. Staples is not a lawyer.

Senator FORAKER. I think he is a pretty good one.

Mr. STAPLES. Mr. Chairman, we have a better lawyer here, if I am a good one.

Senator CLAPP. He did not catch the scope of Senator Dolliver's question. The proposition in the mind of the Commission is that these subsequent provisions relating to discriminative rates must be read in the light of section 4, which defines, or which rather enlarges,

what may be discriminative in the substantial parallel character of cases under the long and short haul clause.

Senator CARMACK. Senator Dolliver read section 4.

Senator CLAPP. To make that complete, section 4 must be amended. You did not make that clear, Mr. Staples.

Mr. STAPLES. I thank you, Senator, very much. I do not know that more time can be given me, but I feel that I have done injustice to one of my colleagues, who is an attorney.

The CHAIRMAN. Judge Crump is an attorney, and lives in Virginia. We understood that you, Mr. Staples, and the other gentleman wanted to go away to-night, but Judge Crump, living near here, can be heard at some other time. We now want to take up some other matters in committee.

Mr. STAPLES. I think Judge Crump will be glad to come.

The CHAIRMAN. We will give him a hearing, and soon.

Senator CLAPP. Would you feel like coming back for a further hearing before us?

Mr. STAPLES. I now expect to have business in Washington in the early part of February.

The CHAIRMAN. Then we will continue this hearing.

Mr. STAPLES. You understand my time is very pressing for duty in my State; but if on the occasion of my next visit here you desire to question me I shall be very willing to answer such questions as I can.

The CHAIRMAN. And Judge Crump could appear at the same time.

Mr. CRUMP. I can not be here to-morrow, as I have to be at Richmond.

The CHAIRMAN. Then we will fix a meeting for some time in February for you gentlemen.

Mr. STAPLES. You are very kind, and I want to thank you, Mr. Chairman, and the committee very much indeed for your courtesy.

The CHAIRMAN. We thank you, Mr. Staples.

#### STATEMENT OF MR. R. HUDSON BURR.

The CHAIRMAN. Mr. Burr, you may state your name, your place of residence, what position you hold, and whom you represent.

Mr. BURR. My name is R. Hudson Burr; I am a member of the State railway commission of the State of Florida, and am here with a committee appointed by the National Association of Railway Commissioners, which is made up of the commissioners from the States that have railway commissions or officers who regulate railway traffic in any way.

The CHAIRMAN. How many States are represented in this association?

Mr. BURR. Thirty States have regulations of some sort.

The CHAIRMAN. Your association is called the National Association of Railway Commissioners?

Mr. BURR. Yes, sir.

The CHAIRMAN. And your association is composed of State commissioners?

Mr. BURR. Yes, sir. We meet once a year for the purpose of exchanging ideas, and to better inform ourselves of the conditions in

regard to railroad matters, and at the last annual convention, held in Birmingham, Ala., the following resolution was passed, and this committee was appointed to appear before the committee of Congress:

Whereas provisions of existing law do not adequately authorize and empower the Interstate Commerce Commission to properly correct and prevent unjust discriminations against persons and places, and enforce fair and reasonable interstate railway rates and charges: Therefore be it

*Resolved by the National Association of Railway Commissioners in convention assembled at Birmingham, Ala., this 16th day of November, 1904,* That in accordance with previous recommendations the Congress of the United States be, and is hereby, requested to so amend existing law as to authorize the Interstate Commerce Commission, on complaint that any interstate rate is unreasonable or unjust, and, after full hearing, to ascertain what rate is reasonable and just in the particular case and order the carrier to observe that rate for the future, subject to rehearing upon application of the carrier when the conditions may have changed, the rate so prescribed to be effective unless enjoined by the court; and be it further

*Resolved,* That the president of this convention appoint a committee of nine to go before the proper committees of Congress and urge the passage of this needed legislation, and that each Senator and Representative in Congress be furnished by the secretary with a copy of these resolutions.

Now, Mr. Chairman, it is not our purpose to undertake to burden this committee with a lot of statistics, because we feel that you have those things at your own command anyhow, but simply to say that we believe, as railway commissioners, we are in a position to know the needs of the legislation asked for. We come in daily contact with those interests, with people having complaints about the management of railway traffic, and we therefore come so close to it that we believe we can say to you that while we do not come here with a unanimous demand for this legislation, yet we do come here with a crystallized public sentiment behind us representing nearly nine-tenths of this country. Ninety-five per cent, I will say, in my State, of the complaints made to us are upon matters that we can not handle, for the reason that they are interstate in character. When this is explained to the complainants they invariably come back at us asking that we exert our efforts to secure such legislation as will give to the Interstate Commerce Commission, or to somebody authorized to regulate these matters, the necessary power to deal with these matters.

While we in our State do handle some of these matters, we can not go further than simply to act as an arbitrator between the railways and the shippers; and I may say that in a great many cases—in fact, in the majority of the cases coming before us in our State—we effect satisfactory settlements.

Senator DOLLIVER. Does your commission have power of revising railway rates?

Mr. BURR. Yes, sir. We can make whole rates in our State.

The CHAIRMAN. On State railroads?

Mr. BURR. In State business.

Senator DOLLIVER. Does your commission frequently exercise that power?

Mr. BURR. We make some changes. There have not been very many radical changes made, but where we have made changes the subsequent reports of the railroad companies to our commission show that those changes have resulted in increased earnings. There has not been a single instance in which we have reduced rates but what their own reports will show that the earnings have increased the following year.

The only reason for that in our minds is that it stimulates the business interests that furnish rates to the railroads.

The CHAIRMAN. Does your State law authorize you to increase rates as well as to reduce them?

Mr. BURR. Yes, sir. Recently—about two months ago—our commission, when its attention was called to the inequality in the case of a small or weak railroad in our State—the rate had only been in operation for a couple of years—as soon as it was shown to our commission that it would be unfair to cause that small or weak railroad to operate at a lower rate than was charged by the trunk lines of the State, we immediately authorized the raising of almost the entire tariff.

Senator NEWLANDS. In the case of that particular road?

Mr. BURR. Yes, sir.

Senator NEWLANDS. You act upon the case of each particular road?

Mr. BURR. Yes, sir.

Senator NEWLANDS. Not prescribing a general rate for all roads?

Mr. BURR. Yes, sir; we treat the road as a road, because it would be rather unjust for some of the roads in our State to have to operate at as low a rate as others do, because they operate through a sparsely settled country—they are new roads and do not have the business.

Senator NEWLANDS. In adjusting the rates in your State do you take into consideration the capital or the value of the roads?

Mr. BURR. Yes, sir.

Senator NEWLANDS. And a fair return upon the capital or value?

Mr. BURR. Yes, sir; we try to hold that before us all the time.

Senator NEWLANDS. What rate of interest do you call a fair return in your State?

Mr. BURR. If the reports show that they are making 3 or 4 per cent, we feel like they can stand some change occasionally, where the commodity or rate is out of line, or, in other words, is falsely classified.

Senator NEWLANDS. Do you mean 3 or 4 per cent upon a nominal capital or upon the actual value or investment?

Mr. BURR. The cost of the road, the cost of construction and equipment of the road.

Senator NEWLANDS. Right in that line may I ask, Are there many railroads in your State?

Mr. BURR. We have nearly 4,000 miles.

Senator NEWLANDS. Are they all under the control of one system?

Mr. BURR. No, sir; we have the Atlantic Coast Line, the Seaboard Air Line, the Louisville and Nashville, the Florida East Coast, and a number of small roads.

Senator NEWLANDS. How large a percentage of this 4,000 miles is owned and operated by these four lines you have spoken of?

Mr. BURR. About 2,000 miles of the roads are in the hands of those big roads. They have from time to time taken over some of the smaller lines. That is going on from time to time.

Senator NEWLANDS. That is increasing, is it—the tendency toward consolidation?

Mr. BURR. Yes, sir.

Senator NEWLANDS. When they do consolidate how is that accomplished—under the law of your State?

Mr. BURR. Under the law of our State they are allowed to consolidate, provided they are not parallel lines.

Senator NEWLANDS. Does your commission have any supervision over that consolidation?

Mr. BURR. Yes, sir; they would have to apply to the commission for permission to do so.

Senator NEWLANDS. Does the commission determine the amount of stocks and bonds that are to be issued?

Mr. BURR. No; we do not go into that.

Senator NEWLANDS. You do not go into that at all?

Mr. BURR. No; that is, when they are making application to us to take over some particular piece of road, we see that they are not taking over property of a line that is parallel.

Senator NEWLANDS. And only for that purpose?

Mr. BURR. Yes, sir.

Senator NEWLANDS. If the railroads in your State wish to consolidate and wish to have a capitalization largely in excess of the united capitalization of all the roads, and largely in excess of the cost of construction of the road, would there be any obstruction to that in your State?

Mr. BURR. We have nothing to prevent that.

Senator NEWLANDS. Nothing to prevent the so-called watering of stock?

Mr. BURR. No, sir.

Senator NEWLANDS. When you fix rates in your State on a given road do you make a valuation of that road?

Mr. BURR. We go upon what it has been shown, from investigation, is the cost of construction and the cost of equipment of a railroad, in our State.

Senator NEWLANDS. Is there any judgment of the board put on record regarding the value of such railroad property? Do you make a judicial inquiry, and then enter your judgment of record as to the value of that particular road?

Mr. BURR. We have in one instance.

Senator NEWLANDS. If there is no record of that kind there is nothing to prevent a subsequent railway commission from forming a different judgment as to the value of that road?

Mr. BURR. A subsequent commission might have different ideas about it; yes, sir.

Senator CARMACK. Does your commission have anything to do with assessments?

Mr. BURR. No, sir; that is attended to by the comptroller-treasurer and attorney-general of the State.

Senator NEWLANDS. Do you have a percentage estimated upon the receipts, or upon the property of the corporation?

Mr. BURR. Upon the property.

Senator NEWLANDS. It is valued as other property is?

Mr. BURR. Yes, sir.

Senator NEWLANDS. Then there are the usual assessments for county and State purposes?

Mr. BURR. Yes, sir; the same as I would give on my own individual property.

Senator DOLLIVER. I would like to inquire what the nature of these complaints is of which you have spoken in Florida?

Mr. BURR. For instance, we have from time to time found that the

roads doing interstate business change their classification from time to time—that is, by taking an article at the lower class and placing it in a higher class, thus raising the rate.

Senator DOLLIVER. That results in a complaint against the raising of the rate?

Mr. BURR. Yes, sir. The shipper has been paying a certain rate for a certain period of time; then he gets a freight bill and notices that there is an overcharge, apparently; that is brought to our attention, and we find in most of the cases that it is the result of the change of classification which raises that rate.

Senator DOLLIVER. Has that increase of rates been very general?

Mr. BURR. Yes, sir; in a little over two years and a half they changed the southern classification on about five hundred articles.

Senator NEWLANDS. Increased it?

Mr. BURR. Yes, sir; increased it.

Senator DOLLIVER. Are those rates you refer to mainly applicable to fruit classifications?

Mr. BURR. No, sir; that is applicable to incoming freight. Interstate traffic in the State of Florida is pretty heavy, because there are so many things that are not manufactured there and which we have to buy in other States. When our commission first organized it adopted the southern classification as its classification. In two years and a half of time, as I say, they raised about five hundred articles in that classification.

Senator DOLLIVER. Did they lower any?

Mr. BURR. No, sir.

Senator DOLLIVER. Is this the Southern Railroad that you refer to?

Mr. BURR. We have very little to do with the Southern Railroad. They only have a little piece of road running into Jacksonville; but their passenger business is the same as anything else with us.

Senator KEAN. The chief road is the Atlantic Coast Line, is it not?

Mr. BURR. That is one of the best roads we have.

Senator KEAN. Is that line connected with the Louisville and Nashville?

Mr. BURR. We consider them separately.

Senator KEAN. But they are not separate.

Mr. BURR. We understand that; but they operate down there as two roads.

Senator DOLLIVER. What other complaints do you have besides the increase of these rates by changing classifications of goods?

Mr. BURR. I referred a while ago to class rates—that is, others, being commodity rates—to the different markets. There is a vast change in the amount charged for rates to the different eastern and western markets on our fruits and vegetables—that is, some nearer-by points are charged a much higher rate than greater points.

Senator DOLLIVER. Illustrate that.

Mr. BURR. I can not give you the figures from memory; but, take it to Cincinnati, the rate is higher than to some other of the western cities 400 or 500 miles farther, and yet we have competing lines that could reach all the places—that is, we have connections out of Jacksonville, which is a base point for most of this trade.

Senator DOLLIVER. Do you think the rate to Cincinnati is too high, or that the rate to those far-distant points is too low?

Mr. BURR. Well, I think it is rather high to Cincinnati. In fact, most of these rates are high. It is difficult sometimes for the grower to realize much above the cost of the crating and freight charges and commissions on the produce.

The CHAIRMAN. How about the New York rate, has that been complained of?

Mr. BURR. No, sir; the New York rate is regulated by steamship from Jacksonville. The New York rate is a very fair rate.

The CHAIRMAN. What about the Chicago rate?

Mr. BURR. That is a pretty high rate.

The CHAIRMAN. And the Cincinnati rate?

Mr. BURR. The Cincinnati rate is a pretty high one.

Senator DOLLIVER. I should be glad to have you furnish us with a statement of the rates to these various cities, so that we can have a definite statement before us.

Mr. BURR. I will take pleasure in sending you such a statement, but I can not do it until I reach my office, which will be about next Monday.

Senator DOLLIVER. What I want to get at is something definite about this business.

Senator NEWLANDS. You spoke a moment ago about the Seaboard Air Line as distinguished from the Louisville and Nashville.

Mr. BURR. No; I spoke of the Atlantic Coast Line as distinguished from the Louisville and Nashville.

Senator NEWLANDS. I understood your statement to be that whilst they were really joined together, they were yet considered as separate roads in your State?

Mr. BURR. Our understanding is that the Atlantic Coast Line has a majority of the stock of the Louisville and Nashville; but it is operated as a distinct and separate road.

Senator NEWLANDS. Is the Atlantic Coast Line incorporated under the laws of your State?

Mr. BURR. No, sir; I believe that the Louisville and Nashville took over properties that were incorporated in our State--what is known as the Pensacola and Atlantic Railroad.

Senator NEWLANDS. Under the laws of what State is the Louisville and Nashville incorporated?

Mr. BURR. I believe it is incorporated under the laws of Kentucky.

Senator CARMACK. It is incorporated under the laws of Kentucky.

Senator NEWLANDS. That acquisition was made, I presume, with the consent of your legislature?

Mr. BURR. Yes, sir.

Senator NEWLANDS. Did they take it over bodily or simply buy a majority of the stock?

Mr. BURR. The road was mortgaged, I think, at first, and then they assumed the mortgage and finally took over the property. When the Pensacola and Atlantic road was built it was aided, not only by the State giving lands enough to construct it, but it was also given Federal aid.

Senator NEWLANDS. In the returns made to your railway commission are they made as returns of the Pensacola and Atlantic or of the Louisville and Nashville?



Mr. BURR. They are made by the Louisville and Nashville, but by divisions—that is, by the Pensacola and Atlantic division in the reports, and so as to the other divisions.

Senator DOLLIVER. Are there any general classes of complaints made and which you have in mind?

Mr. BURR. Yes, sir. We find when there is loss or delay in these perishable fruits to the eastern markets that the shipper brings complaint to us, and we can not do anything with them. It is always stated that the shipper has the right to go into the courts and sue for these things, but it has never been done.

Senator DOLLIVER. Is it the general custom of the roads to pay when losses of that kind occur?

Mr. BURR. No; it is not the general custom. There is always some excuse made to crawl out from under. For instance, I know a shipper who lost a carload of tomatoes valued at about \$1,100, or more; that was two years ago, and he has been put off from time to time with all sorts of excuses that they could get up for that loss, and he has been compelled at last to bring suit. In this case, of course, he can bring suit in our State. In most of the cases the skipper would have to go to some other State to bring suit.

Senator NEWLANDS. Why is that?

Mr. BURR. Especially now, when the Supreme Court says that the initial line is not responsible for safe and prompt delivery; that the loss must be placed upon the carrier that damaged or lost the freight. A Florida man may have to go to Illinois to sue, and these shippers will not do that. We have found in our hearings that shippers are loath to make statements. Not long ago a gentleman said to me: "When I get ready to go out of business I will answer the questions that you gentlemen ask."

Senator DOLLIVER. Do you expect us to provide machinery for the collection of claims of that sort?

Mr. BURR. No; but we want a law that will empower some commission with authority to take up such cases. The Interstate Commerce Commission can not handle such cases at all. We want a law that the shipper will feel affords him protection, one that will give him some place to go to secure his rights without being trampled upon.

Senator CARMACK. You say that part of the trouble arises from the fact that the shipper of goods will not make complaint. How are you going to remedy that trouble?

Mr. BURR. They are afraid to make complaint, because they realize that the law is defective and that nothing will come of complaint except that they may suffer from some discrimination in the future.

Mr. CARMACK. You think that they would not fear if there was an adequate remedy?

Mr. BURR. No, sir.

The CHAIRMAN. This trouble about delay or destruction of freight might occur under a high rate as well as under a low, might it not?

Mr. BURR. Yes, sir; that part of it might, but I was only answering the question the gentleman asked me.

The CHAIRMAN. The courts are open for that purpose. But I want to ask you this question, How are these cars delayed? Are they sidetracked?

Mr. BURR. We have on investigation found that they do sidetrack them.

The CHAIRMAN. But the railroads would not want to sidetrack a car of vegetables and fruits from Florida, would they? There is no competition on that class of freight, is there?

Mr. BURR. I think in a great many cases the roads have not provided themselves with a sufficient amount of rolling stock to move such freight.

The CHAIRMAN. I can understand, Mr. Commissioner, how a railroad might want to favor this or that one shipper, as, for instance, they might want to sidetrack coal or iron ore, but I can not understand why they should want to sidetrack a carload of fruit, because there is no competition there. They want all the business they can possibly get.

Mr. BURR. They realize that they have the business, but once it is put on their track they will get their freight on it anyhow.

Senator DOLLIVER. They will not if they lose it.

Senator CARMACK. I do not suppose they do that very frequently.

The CHAIRMAN. The courts are open for them; but there is an acute question that does not apply to your State, where a railroad might be interested in a particular product and want to prefer it or its friends to another competing producer. As I say, coal might be side tracked. They could side track 200 cars of coal on its way to Chicago; but I can not understand a complaint in regard to fruit, because there is no competition. The railroads want every car out of your country that they can get, as well as out of California, with fruits.

Senator CULLOM. I did not come in in time to hear the beginning of your statement. What is the greatest ground of complaint by people of your State and yourself as a commissioner against the railroads for violating the law? In what particular do they violate the law?

Mr. BURR. There is discrimination—that is one thing—and inequality of rates to various points. Of course that inequality can not be corrected entirely, because conditions govern.

Senator CULLOM. Where the railroad, apparently with its eyes open, violates the law, in what particular do they violate it, especially in your region more than in others?

Mr. BURR. It is very hard for us to catch up with the railroads in matters of discrimination—that is, giving a preferred rate to one shipper not given to another—yet we realize that that is going on.

Senator CULLOM. In what way do they exercise that power to prefer one shipper over another?

Mr. BURR. Where they do not discriminate in rates they discriminate against a great many individual shippers in giving all their cars for some time to the large shippers and let the little shippers suffer. That we consider is a discrimination. Where they have so many cars to provide for a particular commodity to be hauled if they can not furnish everybody with cars they ought to divide them up. But as it is the big shipper invariably gets all he wants, while the small one does not. We believe that in some cases the large shippers of lumber and other freight of great tonnage get a better rate than some of the small shippers of the same commodity.

Senator CULLOM. You are a commissioner of railroads and are familiar with your own State laws as well as with the statutes of the United States. In what particular do you want the law amended now so as to give greater protection to the people?

Mr. BURR. We want the Interstate Commerce Commission given the rate-making power; that is, upon complaint of an unjust rate, to

substitute, after full hearing and investigation, such rate as they believe is just and right.

Senator CULLOM. You think that absolute power should be given to the Interstate Commerce Commission to make rates upon complaint?

Mr. BURR. Yes, sir.

Senator CULLOM. You are not asking a general rate?

Mr. BURR. No, sir.

Senator CULLOM. But only where a complaint is made in a particular case?

Mr. BURR. Yes, sir.

Senator CULLOM. Do you think the power ought to be given that Commission without any other safeguard to the people? For instance, if they should make a wrong rate, should the courts have the right to take that up and review it? What do you think about that?

Mr. BURR. If they make a wrong rate, they have the power and authority to readjust that upon complaint; that is, they can rehear that case. We ask for rehearings for them. We do not take very much to the idea of this court proposition. We believe we have courts a plenty. All the courts of the country are open to the railroads. If the Commission undertakes to do an unjust thing the Commission can be enjoined and the courts can determine it. No court will delay matters long.

The CHAIRMAN. Is not the question of discrimination you speak of covered by the present law effectively? If it can be shown, under the law of 1903, that a railroad is discriminating in favor of one firm or one locality as against another, is not that a positive violation of that act?

Mr. BURR. I am not a lawyer and I will not undertake to answer that question definitely. But I am taking too much time, because I want to give an opportunity to the other members of the committee to say something.

There is one other point, however, that I want to cover first, and that is that whatever law you gentlemen think best to pass, we ask that it be strong enough in one particular, and that is to cover what is called the long and short haul. That is one of the things that we suffer from in Florida and in many other States very materially. For instance, in our State the rate is made by taking the rate from a western point to the base point in Florida—Jacksonville being the main point—and taking the other charge from the initial point to the base point, Jacksonville, on shipments to intermediate points, closer to the point of shipment, and then the local rate from Jacksonville back to the initial point is added in order to determine the rate from the point of shipment to the intermediate point.

The CHAIRMAN. That is against the law as it stands to-day.

Mr. BURR. We have been informed that it can not be handled under the fourth section as it stands.

The CHAIRMAN. That is the Cullom law, and we put that in there after a great debate.

Mr. BURR. While we have not brought a case ourselves, we have been informed that we can not remedy it. We do not mean to say that the shorter distance could have at all times the same proportionate rate applying to the longer distance to the base point, because water competition is something that will make that a very low rate; but we

do believe that it is rather unjust to charge the through rates plus a very high local rate for these intermediate stations. They also discriminate between stations. For instance, take a station 150 miles, and a rate is made for that which applies to all the intermediate points. A station 150 miles from the base point will be charged a greater rate than is charged a station nearer to the base point, and that is discriminative against the nearer point.

Senator FOSTER. You have studied the Quarles-Cooper bill?

Mr. BURR. I have read it over; just glanced through it.

Senator FOSTER. Do you indorse that bill?

Mr. BURR. We do not take up any particular bill. We simply take the particular position that we want legislation that will adequately remedy this evil. We do not undertake to say what particular bill pending before Congress should be passed. But I do not believe that the Quarles-Cooper bill or the amended Cooper bill—the one introduced at the third session—is hardly strong enough.

Senator FOSTER. You believe that conferring the rate-making power upon the Interstate Commerce Commission will remedy the evils you complain of, do you?

Mr. BURR. I think it will largely do so; yes.

Senator FOSTER. Is that the only thing you ask?

Mr. BURR. That and the prevention of discriminations.

Senator FOSTER. The law is pretty comprehensive now in regard to that, is it not?

Mr. BURR. It is an evil that is pretty hard to remedy, anyhow.

Senator NEWLANDS. I would like to make an inquiry before the commissioner takes his seat, and that is, whether we can not continue this session to-morrow. We have here two other gentlemen, members of this committee appointed by the National Association of Railway Commissioners, and it seems to me that we can have no more important testimony than that of these gentlemen. So far as I am concerned I am bent on one line of inquiry, and that is the question of simplifying the railway system of the country.

Senator DOLLIVER. That has not yet been before the committee.

Senator NEWLANDS. If it is not I will get a resolution before the committee. Now we find, with reference to the Louisville and Nashville road operating in the State of Florida, that it is organized under the laws of Kentucky. No one knows how the Louisville and Nashville Railway operates these different roads in the different States, and I say the very confusion and complexity of the railway system of the country absolutely prevents any scientific adjustment of the rate question of the country. It seems to me a very pertinent inquiry as to how these large corporations are operating the railroads in the State of Florida. We are told that there is a Seaboard Air Line, and I would like to know something about the organization of that road.

Senator KEAN. You will find it all in Poor's Manual.

Senator NEWLANDS. But I want it here. I want to ask whether we can not continue these hearings. I move that we have a hearing to-morrow.

The CHAIRMAN. That is a matter that will have to be settled by the committee. Let us hear these people now.

Senator NEWLANDS. I want to ask some questions, but I do not want to take up time to the exclusion of others.

The CHAIRMAN. Any motion you have to make will have to be considered by the committee, but I suggest that we ought not to stop in the middle of a hearing in order to put a motion. Let that wait until the doors are closed.

Senator NEWLANDS. Then there is nothing left for me to do but to continue to question the commissioner, unless the committee is of opinion that the examination should close.

The CHAIRMAN. The matter now pending is the consideration of the Quarles-Cooper bill, and we have allowed the widest latitude to the Senator from Nevada, as well as to other Senators, to ask questions. I do not want to limit inquiry, but, as the Senator from Iowa (Mr. Dolliver) has suggested, it is not quite pertinent.

Senator CARMACK. All the questions that have been asked have been pertinent.

The CHAIRMAN. They have not been pertinent to this particular question, but Senators have all been given the widest latitude.

Senator NEWLANDS. I think they have been pertinent.

The CHAIRMAN. We have allowed outside matters. But I have no disposition to limit the Senator in asking any questions that he thinks ought to be asked.

Senator NEWLANDS. Then I will go on with my examination of this commissioner, and then we can afterwards determine as to whether we can hear the other gentlemen.

The CHAIRMAN. Yes; and if there is not sufficient time to-day we shall have to have another hearing.

Mr. BURR. We would like to have it understood here that we want to answer all the questions that you gentleman ask us that we are capable of answering, but we have been actually waiting here a week for this hearing.

Senator CLAPP. Mr. Staples advises me that he can not stay over. I suggest that we hear Mr. Staples now, and then hear these other gentlemen afterwards.

Mr. BURR. I desire to state that I shall be compelled to leave to-night, in order to go back to my State to participate in the hearings of my commission. I do not like to take up all the time from my colleagues.

The CHAIRMAN. We are perfectly willing to hear all these gentlemen. What Mr. Burr has said is very instructive. If all the gentlemen can not be heard now I am willing to fix a future day when they can return.

Senator NEWLANDS. I suggest an executive session, and that we ask permission of the Senate to hold sittings in this investigation during the time of the sessions of the Senate.

The CHAIRMAN. I think we can do that now if we want to.

Mr. BURR. There is a good deal I would like to say, but I should like to defer now to Mr. Staples, of Minnesota.

#### STATEMENT OF S. H. COWAN.

The CHAIRMAN. Mr. Cowan, you may state to the committee your name, occupation, place of residence, and whom you represent.

Mr. COWAN. My name is S. H. Cowan. I reside at Fort Worth, Tex. My occupation is that of attorney at law. I am the attorney of the Texas Cattle Raisers' Association and the Cattle Growers'

Interstate Committee. These respective organizations represent all the men engaged in the cattle business in the range country west of the Missouri River. I am employed and paid by them to represent them not as a lobbyist, but to place matters before committees of Congress as they should be. These organizations I represent as attorney desire to secure some relief against what they believe to be unreasonable exactions in some instances, and in other cases relief from discriminatory freight rates in the shipment of live stock from the southwestern range territory to the markets and to the great pastures of the Northwest.

The CHAIRMAN. What extent of territory do these ranges cover?

Mr. COWAN. The entire country west of Missouri River and east of the Rocky Mountains and between the British line on the north and the Gulf on the south.

The CHAIRMAN. Unless you refer to it further along in the course of your argument, will you please state here what railroads you refer to?

Mr. COWAN. I refer in my argument to all the railroads in that region—that is, all the trunk lines—though, I believe, there is very little complaint made in regard to the Northern Pacific and the Great Northern. Their rates remain about as they have been for fifteen years. They have been content to participate in the increased prosperity of the country with its increased tonnage and business. The southwestern lines have received the benefit of that increase, but they have not been content with the increased business in tonnage. The Southwestern Traffic Committee, or Tariff Committee—I forget the exact name—in their meeting at St. Louis agreed upon advanced rates, so that we pay to-day a higher rate for the transportation of live stock from that entire territory to market and to the northern pasturage than we have ever paid since the Interstate Commerce Commission has had charge of the tariffs.

The CHAIRMAN. I do not want to interrupt you, but will you please state what roads those are?

Mr. COWAN. It will not interrupt me at all. The systems of railroads which are concerned in this matter are, generally speaking, the Gould lines (which include the Iron Mountain and Southern, the Missouri, Kansas and Texas, the Texas and Pacific, and the St. Louis and Southwestern) and the International and Great Northern; the Santa Fe lines, all operating under the general name of Santa Fe; the Gulf and Colorado, and the Santa Fe and Pacific. We are not much concerned in the Santa Fe and Pacific, as it is all one, because the Santa Fe owns the stock and generally the bonds. I will file a statement giving the names of all these roads, some of which I can not recall now.

The CHAIRMAN. But the Santa Fe system is in this territory, as I understand?

Mr. COWAN. Yes.

The CHAIRMAN. Any other systems?

Mr. COWAN. The Rock Island and the Frisco.

The CHAIRMAN. That is in the Rock Island?

Mr. COWAN. It is not really a part of the Rock Island system, as I understand. Then there are the Union Pacific, the Milwaukee and St. Paul, Chicago and Northwestern, the Burlington lines, the Great Western, and the Chicago and Alton. I neglected to mention the

Wabash in connection with the Gould lines. That is part of that system. Then the Colorado and Southern, and, of course, the territory of the various Texas lines. The Southern Pacific lines are concerned in this matter and half a dozen little companies in Texas.

The CHAIRMAN. And the Southern Pacific system?

Mr. COWAN. Yes; the Southern Pacific system in the South.

Senator NEWLANDS. As I understand, each one of these systems embraces a number of railroads. Is that the case?

Mr. COWAN. Yes. I could give you the details, but it would take a good deal of time.

Senator NEWLANDS. I wish you would give the details, to be embodied in your statement.

Mr. COWAN. I will file it here. I can get a copy of the southwestern tariff in the Southwest.

Senator NEWLANDS. In that connection give the name of each system and under it the names of the constituent companies.

Mr. COWAN. I will furnish them according to the best information I have.

The CHAIRMAN. You may proceed.

Mr. COWAN. I shall not have time to give the committee the many reasons which, we believe, call for some relief, whereby an ordinary shipper by railroad ought to have his petition for relief referred to the decision of some body of arbitration, where the question can be settled speedily and without expense to the shipper as nearly as possible.

It happens that a few organizations like the Texas Cattle Raisers' Association and others I might mention are able to employ attorneys and prosecute cases and pay large expenses; but it requires a considerable period of time, as I know by experience, before a final decision can be reached, and in the meantime a complete change of officers of those associations may occur. But ordinarily a shipper who does not belong to those associations finds it perfectly impossible even to begin to ascertain what his rights are and what remedies he may have. It would involve the expenditure of much money and take a long time to pursue litigation with several railroads in order to determine what is a reasonable rate. I say, after an experience of some years in connection with this matter, trying cases before the Interstate Commerce Commission and carrying them through the courts, that it is my opinion, which will be borne out by an examination that any one of the Senators here may make, that a remedy which does not provide that the Government shall undertake the prosecution of these matters on behalf of the shippers is a remedy which will not reach the powerful railroads concerned, and the ordinary shipper of a few carloads is left out in the cold unless some large organization will undertake the expense.

The CHAIRMAN. The Interstate Commerce Commission, under the existing law, has the power to initiate proceedings.

Mr. COWAN. Yes.

The CHAIRMAN. And the Government bears the entire expense, as I understand.

Mr. COWAN. No, sir.

The CHAIRMAN. It does not?

Mr. COWAN. No, sir.

The CHAIRMAN. It does in the case of discrimination of various kinds.

Mr. COWAN. No; I will explain that to the committee, as I happen to be familiar with it.

The CHAIRMAN. It seems to me that we tried to deal with that very question in the act of 1903, and that in that act we provided that a case could be initiated by the Commission and would be prosecuted at the expense of the Government to secure relief.

Mr. COWAN. To secure what relief? Against what exactions?

The CHAIRMAN. Against discriminations, rebates, unjust advantages and practices—everything of that sort. It seems to me that we made as strong a law as could be written.

Mr. COWAN. Neither the attorneys appearing before the Commission nor the Commission itself so understand it.

Senator DOLLIVER. Section 3 of the act of 1903 provides:

That whenever the Interstate Commerce Commission shall have reasonable ground for belief that any common carrier is engaged in the carriage of passengers or freight traffic between given points at less than the published rates on file, or is committing any discriminations forbidden by law, a petition may be presented alleging such facts to the circuit court of the United States sitting in equity having jurisdiction.

Mr. COWAN. I understand exactly.

Senator NEWLANDS. That does not apply to unreasonable rates.

Mr. COWAN. It reaches the very points where communities or merchants will be benefited, but not the points with respect to shipments of grain, cotton, lumber, live stock, and the various farm products of the country. They are absolutely untouched by the act, for the reason that what they are after is not so much discriminations as it is with respect to the amount they are paying.

Mr. CHAIRMAN. That is, the rates.

Mr. COWAN. That involves the question of what are reasonable rates. Doubtless, had the matter been called to the attention of the committee when the law was written, that word "reasonable" might have been given such an interpretation or so changed as that the Commission would have had power to investigate.

The CHAIRMAN. Your point is as to the word "reasonableness" in connection with rebates and discriminations covered by the law. Your point is that they are not making reasonable rates?

Mr. COWAN. That is it exactly.

The CHAIRMAN. You think the rates are too high?

Mr. COWAN. Yes, sir.

Senator NEWLANDS. In that connection, if we were to amend that section 3 by providing that the Interstate Commerce Commission should act by petition to the circuit court of the United States where a rate was claimed to be unreasonable, then this section would cover your requirements?

Mr. COWAN. No, sir.

Senator NEWLANDS. What amendment to section 3 would you suggest as necessary?

Mr. COWAN. It would be impossible to answer that question so as to tell exactly how it ought to be amended. I would first have to know the precise wording of the particular law. I could do it by sitting down and taking my time. But let me call your attention



to the fact that there is no power in this country to-day whereby anybody may determine what shall be a reasonable rate for the future. The question is, in the first instance, whether such a power shall be conferred upon anybody. If it is not conferred upon anybody, then the power of the court is simply the power existing at common law, because at common law, as decided by the Supreme Court of the United States in the Call Publishing Company case, anyone has the right to go into a State court and recover by charging and proving undue preferences or unreasonable rates or discriminations. It needs no act of Congress for that. It matters not if it be an interstate shipper in your own home town, a State court has the right to entertain jurisdiction, although it may be a matter of interstate commerce. That jurisdiction of a State court to give damages is as complete under the common law, in all probability, as Congress could make it.

Senator FOSTER. If it does not break into the line of your argument too much, I would like to hear you on this point: How, in your judgment, is such power to be conferred, and does the necessity exist?

Mr. COWAN. I answer both in the affirmative.

Senator FOSTER. As to the reasons why such power should be conferred, what do you say?

Mr. COWAN. The reasons can be better explained by illustrating examples, because it is by reason of the existing details and facts that you reach your judgment upon which you shall base the passage of any law. Take, for example, the shipment of cattle from Amarilla, Tex., to different points in Wyoming and Montana. It has been the custom of the people in those States to carry on the business of fattening and finishing the cattle for market by putting them on pastures in those States. But they are not breeding States. Cattle breeding is carried on in Texas and New Mexico. After they are fattened they are sent to the Chicago market. That is an extensive business, and there have been some 400,000 head of cattle shipped in that way in the last two or three years. When we had the trail and the cattle were driven, the railroads thought it profitable to transport them at \$55 per car. But the settlement of the country and closing of the trail destroyed that competition, and so from time to time the railroads have advanced the freight rates, so that to-day the rate is \$100 per car, for which they were glad at one time to accept \$70 per car, and are even undertaking to pay rebates to get business.

Senator NEWLANDS. I thought you said the original charge was \$55 per car?

Mr. COWAN. I said the rate had once been \$55, but they have been taking that business for a long time at \$70.

Senator DOLLIVER. Can you give us the dates?

Mr. COWAN. I can not give the precise dates. That \$55 rate, however, was in force only one year. Then it was \$65, then \$70, and has been advanced gradually to \$100; and to-day a representative of the Santa Fe and the Colorado Southern, as has been proven by the testimony of witnesses before the Interstate Commerce Commission in our case before them, has agreed that they will not solicit any business. They have agreed to allow each other absolutely a part of the rate for the circuit from Amarilla within a certain distance; that is, if the shipment is made by the Santa Fe to go not more than, say, 15 miles the Santa Fe will carry it over and deliver it to the Colorado South-

ern, getting \$22 per car, the Colorado Southern taking the balance of the rate.

Senator DOLLIVER. What is the point of destination?

Mr. COWAN. Say, Morecroft, Wyo., and Billings, Mont. There are various delivering points in that country.

Senator DOLLIVER. Is the rate the same to all of them?

Mr. COWAN. No; the rates are the same from any point in that circuit. I mention that to show you that it is only by agreement that such things can exist. If they were competing with each other, as they did when rates were lower, the competition would bring the lower rate.

The CHAIRMAN. Could not the courts enjoin against that very practice? It seems to me that is provided for in the Sherman antitrust law. The Sherman law says "any agreements." Why could not that be reached under the Sherman law? It seems to me that proceedings could be had to stop that.

Mr. COWAN. If the Attorney-General will bring suit, we will furnish him the testimony.

The CHAIRMAN. Can not the district attorney proceed of his own motion?

Mr. COWAN. But the Interstate Commerce Commission has no authority to enforce the Sherman antitrust act.

The CHAIRMAN. The law refers to any practice whatever.

Mr. COWAN. With respect to these side issues, as to what ought to be done, it would be rather profitless for me to talk about them. Perhaps I had better pursue my argument, especially as to proposed amendments to the act.

There is another competition in that part of the country with respect to the matter of rates—the competition with respect to securing business. The southwestern tariff committee passes upon every advance of rate made. No reduction on any sort of commodity is made without being considered by that committee. They say it exists for the purpose of cheaply publishing the schedules of rates. As a matter of fact it exists for the purpose of being able to agree upon rates. I believe that railroad companies ought to have the right, by their traffic associations, as they had previous to the decision of the joint traffic cases, to agree upon what should be a proper rate; but I do not believe that they ought to be permitted to do that without having some governmental regulation that shall first pass upon the contract by which they enter into such an agreement. I believe that the governmental authority should pass upon the rates, first giving an opportunity to the shipper to determine whether the rates agreed upon are reasonable, and providing that that determination may be reviewed at any time when there has been a change of circumstances and conditions sufficient to warrant it. In other words, I am perfectly willing that the railroads shall have the power to prevent one railroad from destroying another, and that involves the ultimate levying of the difference in rates upon the public.

Senator NEWLANDS. What is the organization of this tariff committee you speak of? Is it composed of traffic managers?

Mr. COWAN. It is composed of representatives of about 60 railroad lines. They have an office in St. Louis, a secretary, and half a dozen rate clerks, but they deny that they have any minutes of their proceedings.

Senator NEWLANDS. They fix the rates, do they?

Mr. COWAN. They say absolutely they do not, but they admit that they confer together, and it so happens that when one road publishes its rates on one day the other roads publish the same rates on the same day. So that is but a toying with words. The cattle rates in our country have been advanced by that committee. When an advance was made to the first of 1900 the Cattle Raisers' Association of Texas objected to it and asked a conference with the committee. We had a conference with them, and met on June 17, I think, in their office at St. Louis. We there laid before them the facts which showed that they ought not to have advanced these rates, for they were hauling traffic from various points in Colorado at 5 to 8 cents per hundred pounds lower than from Texas under substantially similar circumstances and conditions. Because they had not advanced these rates in Colorado, Wyoming, and throughout the entire Northwest, because their traffic committee was not so constructed as to represent those lines operating in the Southwest, they decided against us. We prepared a statement for them, and paid \$500 for the statement.

The CHAIRMAN. Were those the Gould lines?

Mr. COWAN. The Santa Fe and Rock Island.

The CHAIRMAN. What was the percentage of advance in those freight rates—how much over the old rates?

Mr. COWAN. I will tell you what it was. There was an advance of  $2\frac{1}{2}$  cents per hundredweight made about the latter part of 1898 to take effect the first of 1899, and the first of 1900 there was an advance of 3 cents per hundredweight over previous rates.

The CHAIRMAN. What were the previous rates?

Mr. COWAN. There had been an established rate from Fort Worth to Kansas City, and that applied to shipments from all that country to every market.

The CHAIRMAN. The Fort Worth and Kansas City rate?

Mr. COWAN. At that time that rate was  $23\frac{1}{2}$  cents, and they have advanced it  $2\frac{1}{2}$  cents and 3 cents, so that to-day it is  $26\frac{1}{2}$  cents. The Texas commission put into effect in Texas rates based upon the rates established by the Interstate Commerce Commission when that Commission was organized, and the rate to-day in that State on beef cattle for a 500-mile haul is  $26\frac{1}{2}$  cents. The freight rate from Fort Worth to Kansas City is  $36\frac{1}{2}$ . That represents to a considerable extent the advance.

The CHAIRMAN. The distance is what?

Mr. COWAN. Five hundred miles; the same distance. The rate from Cheyenne, Wyo., to Omaha is 29 cents for substantially the same distance. These advances could not have been made if there had been any free competition. I want to impress upon you, in answer to your question as to why the necessity for regulation exists, the effect of the disappearance of competition. That is the necessity. It only requires investigation for you to ascertain that that is a fact. Competition has disappeared. The circuit court of the United States, the circuit court of appeals, and the Supreme Court of the United States have all said that competition will bring rates to what is reasonable. They may not know as much about it as somebody else. My own opinion is that it oftentimes brings it below what is reasonable.

Senator DOLLIVER. What effect did competition have under the act of Congress which required the rates to be made public?

Mr. COWAN. It did not have much effect, and had the railroads obeyed the law it would have prevented competition, except such competition as comes in this way: I have 100,000 tons to ship; I let the railroad company know it; they can put into effect and publish a reduced rate; then I make the shipment at that reduced rate, and before the other roads become aware of the reduced rate so as to take action about it my haul is completed; then the old rates are put back. They tell me that is done all over the United States. I don't know whether that is true or not. I don't know much about anything but cattle. The reason for an amendment to the act is the fact that competition has disappeared.

The CHAIRMAN. Competition has disappeared by reason of agreements?

Mr. COWAN. Yes, sir; and I can refer to cases on file before the Interstate Commerce Commission for proof of that. That being so, somebody ought to be able to determine, where the shipper must patronize a railroad, how much the railroad shall charge.

The CHAIRMAN. I am sorry to interrupt you, Mr. Cowan, but this point is very important. Let me read to you the first section of the Sherman Act:

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by a fine not exceeding \$5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Mr. COWAN. In the circuit court?

The CHAIRMAN. In any district court. That is the law of the land.

Mr. COWAN. Are you certain that a circuit court of the United States can charge a grand jury and the grand jury find an indictment?

The CHAIRMAN. A district court of the United States can, and a United States attorney can go ahead to-morrow and put these people in jail.

Mr. COWAN. I thought the Attorney-General determined whether or not prosecutions were to be had.

The CHAIRMAN. I do not think the Attorney-General determines that.

Senator CARMACK. As a matter of fact the district attorney acts under the direction of the Attorney-General.

Senator DOLLIVER. He does in the ordinary criminal cases.

Mr. COWAN. I am informed that the Department of Justice determines for itself whether there is to be prosecution. However, I did not intend to go into any argument about that.

Senator CARMACK. It is true, as a matter of fact.

The CHAIRMAN. You take the position that the law is not enforced because the order to enforce it must emanate from the Attorney-General?

Mr. COWAN. I do not want to take that position.

The CHAIRMAN. Then please state what your position is.

Mr. COWAN. I am not here to take any position with respect to the Sherman Act. I said I had been informed that only the Attorney-General could direct prosecutions under the Sherman antitrust act. I have not examined it to ascertain just how that is, and I should not want to state something I know nothing about.

If it is the desire of Congress that the shippers of this country shall have an absolute remedy and be able to determine what they shall pay in the future for service performed, by a rate which is necessarily a monopoly as regards the business of that shipper, it is an easy matter to do it. It can be done in 200 words.

Senator DOLLIVER. Has your association ever filed before the Interstate Commerce Commission a complaint that those rates were exorbitant and unreasonable?

Mr. COWAN. We certainly have.

Senator DOLLIVER. Did you ever get a finding from the Commission?

Mr. COWAN. We never brought a suit until last February, and we proceeded to take testimony in April at Fort Worth.

Senator DOLLIVER. There has been no decision rendered?

Mr. COWAN. No; that would have been impossible. Again, in June we had a hearing for about a week at St. Louis, in September at Denver for a week, in November at Chicago for a week, and closed the hearings at Fort Worth in December. I suppose if all the testimony were written out there would be 20,000 pages of typewriting, and if it ever came to the point where the complainant must take an appeal the cost of the printing alone, if he had it to pay, would be equivalent to a denial of justice. That is the reason why, if the Government does not initiate prosecutions in such cases, the consequence of these delays will be that the railroads will do as they please.

Senator DOLLIVER. How long a time elapsed after the filing of your complaint?

Mr. COWAN. We filed that complaint in February of last year.

Senator DOLLIVER. So the case has been pending a year?

Mr. COWAN. Yes, sir; and it could not have been tried more quickly. We brought witnesses for a thousand miles.

Senator DOLLIVER. It seems to me that the question whether \$100 was a reasonable rate from Texas to South Dakota could be tried in less than year.

Mr. COWAN. Oh, yes, I suppose it could; but when it involves all the rates in the State of Texas, in southwestern Kansas, in Colorado and Arizona, from various points to Wyoming and to market, under various conditions, you can see that the task is not a small one. The railroads themselves occupied a whole week in taking testimony in Chicago. I tell you, Senators, that those who have not investigated the requirements to ascertain what is a reasonable rate have no idea of the size of the task before you. You find out that you have to hear so much testimony. How would you start out to determine whether a rate is reasonable? What are the elements of reasonableness? To arrive at an ultimate intelligent judgment you must reason from details. The Supreme Court says that any calculation as to reasonableness of rates must be based on the fair value of the property. How are you to determine the value of a railroad? By what its stocks and bonds sell for? If so, the very rate itself, which makes the earn-

ings of the road, would increase the value, so that the higher the rate the higher the value, and the higher the value the greater is the basis of earnings. How are you to undertake to determine what sort of a return a railroad is entitled to? Is it the rate of interest provided by the laws of the State? Is that a fair return to be expected by a reasonable man for his large investment in a railroad? What is the percentage? The Supreme Court says that a railroad is not entitled to earn merely for the purpose of paying dividends, operating expenses, interest, and fixed charges, without regard to the rights of the public. It says all things which a reasonable man would take into consideration, having in view the interests of the carrier, the interests of the public, and some other interests which I forget now—

Senator NEWLANDS. The interests of the shipper?

Mr. COWAN. The interests of the shipper; yes—that all those things shall be considered. The questions are absolutely as broad as the subject of logic. It is simply by a method of approximation from uncertain and undefined premises that a decision can be arrived at, and those are the factors on which you base it. Values of properties are questions that are to be determined largely by what the railroads can earn, which is determined by the rate to be charged; and if they can charge in proportion, by an unjust system of piling one thing upon another, they can increase the rates as high as they please.

Senator NEWLANDS. And increase the value as much as they please?

Mr. COWAN. Increase the value as high as they please. It is the most difficult subject that has ever confronted the American people, this matter of railway rates, and in determining what ought to be done it should be considered with great caution and good judgment. That answers the question as to why you can not try these cases quickly. The railroad companies are represented by Judge Baxter, of Tennessee, said to be the most profound lawyer on interstate commerce law in the United States—some of you know him—

Senator CARMACK. I know him very well.

Mr. COWAN. He is a man of great ability and a very lovable man. He has represented them in their defense, and I have undertaken to represent the complainants in my weak way. We have not tried to put in useless testimony, and we have not wasted time. Of course we had to conform our engagements to other cases before the Commission. It has a thousand other cases to be looked after. You can readily see that it is impossible for any commission to try all these cases speedily, because each complainant claims the preference.

Senator NEWLANDS. It is claimed that this task is so big that we ought not to intrust it to any commission whatever. What do you say?

Mr. COWAN. Are you going to intrust it to the traffic man? Every time he wants more money he can reach into the pockets of the shipper and take it. It has got to be intrusted to somebody. That is an imperative demand. It is growing, and will keep growing, and public opinion will absolutely overwhelm Congress to the end that some reasonable regulation be made, some relief given to the people to protect them from the railroads. The traffic men have said at all our meetings "We are willing to be fair; the difficulty is that we can not agree upon what is fair." They say "You can

adjust these matters by coming to us." We go to them and they say "Your rate is already too low." Every traffic man of every western road has testified that our live-stock rates are too low. If they are too low they should be advanced, and they will advance them the first time they get an opportunity. They have testified that the reason they have not is the fact that not all the lines will agree to it.

But I can produce the testimony now as to the point at which the law should be amended. I have departed so far from the line of argument I expected to pursue that I can give it to you. If you desire to give a remedy to the people by amending section 15 of the act—

Senator FOSTER. What act?

Mr. COWAN. The present interstate-commerce act. I would simply add to section 15, page 15, of the act of 1887, provisions, not in these exact words, but in substance:

It shall be the duty of the Commission, by its order, to fix a proper rate or charge, or any part thereof, whether joint or single, for receiving, transporting, or delivering freight or passengers, or in connection therewith, as interstate or foreign transportation; and if found to be unjust, unreasonable, or unduly preferential or discriminatory, such finding shall become part of the Commission's order and effective in thirty days. And any carrier failing to obey the lawful order of the Commission, fixing any rate or charge, shall be subject to a fine of \$5,000 per day for each day's violation thereof, to be recovered at the suit of the Commission in any circuit court of the United States, where the carrier has an agent, or where such violation may have occurred, such damages to be recovered for the United States and paid into its Treasury.

I may not have given it just in the way it should appear, but I will undertake to write that out and hand it to the stenographer. I do not say you shall do that upon complaint before the Commission. I do not base it upon the condition precedent of complaint.

The answer may at once be made, "Well, you propose to give the Commission the power, of its own motion, to fix rates." Certainly. If you give the Commission power at all, great and important as it is, provide the machinery for carrying out the purpose of the enactment, but do not let that power rest upon the mere accident that some individual may make a complaint. Why should a mere complaint bring into operation the power of the Commission? Take an example like this, which has happened: All the roads advanced rates on grain from Chicago to New York 2 or 3 cents per hundredweight about three years ago. The Commission instituted an inquiry of its own motion. Why not? The courts say that the presumption is that when one road has been long in existence that is ground for supposing the carrier to be reasonable. If the Commission has the power to decide, why should it not have the power to say when it shall do so? The law already provides that if a complaint is made the Commission shall first determine whether or not the rate is reasonable, and for that purpose it proceeds to make an investigation. That should be the case, and always will be the case. It should not make an investigation merely because some individual desires it or because some company or some community desires it, but only when, in the judgment of the Commission, it ought to be done. Why should it not exercise that judgment in the first instance? It is absolute folly to say that it should be based upon the complaint of some Tom, Dick, or Harry. A man who has not suffered any injury can make a complaint. A

board of trade man can make a complaint. Any municipality can make a complaint. Shall the power of the Commission to act be determined upon the fact that somebody has made a complaint? It seems to me not.

Take, for example, the advance made by Texas roads on all classes of goods and commodities. For ten years it was a certain rate from Mississippi points to all points east, to what are known as common points. That involves a vast amount of tonnage, but for which those railroads leading to the Southwest would absolutely be streaks of rust indeed. They advanced from 7 to 20 per cent. When, how, and where? Take the St. Louis meeting in the joint traffic office, where those men admitted it. I made the suggestion in New York that those men needed more money.

Senator NEWLANDS. How many railroads were represented at that meeting?

Mr. COWAN. There are some 60 railroads in the organization, but probably only about 12 or 15 had their representatives there. Mark you, most of these little roads have got to take what the others say they may have.

Senator NEWLANDS. How many systems were represented there?

Mr. COWAN. All these southwestern systems—the Gould system, the Missouri, Kansas and Texas, the Santa Fe, the Rock Island—all the principal systems west of the Missouri and south of Nebraska. The Commission said it was an advance which the people did not know much about. A man representing the Dallas Commercial Club, a man who has been engaged for years in traffic business, a man of considerable ability, testified that it was quite immaterial what the actual rate was to Dallas—whether \$1.30 for first-class goods or \$1.37, or whether it was 50 cents per hundredweight, provided that if they reduced the rates to Dallas they did so to all other towns, and that if they did so the wholesale merchants care nothing about it; that when the wholesale merchant sells to the retailer he adds the advance rate of freight to the rate at which he sells; that the retailer always adds the increased amount of that charge to his selling price, so that the consumer has ultimately to pay it, unless it happens that by fluctuations of the markets it may be otherwise. Why should not the Commission investigate that case? If the Commission is competent to pass upon and fix the rate, I say it is fully competent to determine when it shall act. It must do so when a complaint is filed.

Senator FOSTER. Do I understand you that all these rates should be submitted to the Commission before they go into effect?

Mr. COWAN. Wherever there is a traffic agreement, I say give the railroads the right to make the traffic agreement, but do not give them the right to pool.

Senator DOLLIVER. There is very great prejudice in the public mind against that.

Mr. COWAN. Yes; but there is a greater prejudice against pooling. Do not give them the right to pool, because that will destroy competition. Do not give the right to pool. But you had as well give them the legal right to supervise the acts of the carriers in agreeing upon rates as to permit them to do it secretly without regulation.



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The CHAIRMAN. The people call everything in the way of agreement "pooling."

Senator NEWLANDS. There is a distinction, but in the minds of the public they are about the same.

The CHAIRMAN. Yes; everything like an agreement which secures an increase is looked upon as pooling.

Mr. COWAN. That comes from the want of accurate knowledge.

The CHAIRMAN. But that is the prejudice that exists.

Mr. COWAN. They are going to agree upon rates anyhow. They are doing it to-day in violation of the Sherman Act, just as they did before. It was reported in one case that there was an agreement and in another that there was a combination, both of which are prohibited, and I do not know that any good would arise from prosecution for that, for the reason that the people still have to pay these higher rates and will continue to do so unless the Government can provide means for determining just what is right under the circumstances. Shall we continue to pay from \$17 to \$20 per car on 100,000 carloads of live stock from the Northwest to market more than we paid for ten years previous to the act without remedy?

We are undertaking to prescribe a remedy before the Commission, and we hope, if the Commission decides in our favor, to test the question whether or not the Commission may determine that a given advance is unreasonable in and of itself, and that the courts can enforce such an order. The roads deny that power. We do not know what the result will be, but if it is decided in our favor we hope to get an adjustment whether you pass the law or not. If you carefully examine this question and ascertain what may be done, you will readily see that all you need is simply to give the power to the existing machinery.

The CHAIRMAN. Mr. Cowan, do you think you can conclude your argument in about ten minutes?

Mr. COWAN. I ask the committee to remain five minutes.

Senator NEWLANDS. When could you be here again?

Mr. COWAN. If the committee want to hear me to-morrow, or some other time, I shall probably stay over.

Senator DOLLIVER. I wish you would, Judge.

Mr. COWAN. If you want to hear me further, I will stay over.

Senator CARMACK. I would like to hear you go into this matter as fully as you can.

Mr. COWAN. I have been through the entire detail of it for several years. I do not say that boastingly, but it is simply a statement of fact. There are very few lawyers who have investigated the subject.

Senator CLAPP. I suggest that you reduce to exact language the amendment you have proposed.

Mr. COWAN. I will do so. There may be some other little things I shall want to speak of.

The CHAIRMAN. You are a good lawyer, and the committee desire that you suggest that amendment and anything else you want to say, and let it go in the report of the hearing.

Senator NEWLANDS. Is it the understanding that Judge Cowan will be here to-morrow?

The CHAIRMAN. At the next meeting, and it is for the committee to say when that will be.

Senator DOLLIVER. I think we ought to go ahead and get to some end of the hearing. Let us proceed to-morrow.

Mr. COWAN. I will stay here and prepare myself, if the committee desire.

The CHAIRMAN. Then, it is understood that we will go on with your hearing to-morrow morning at 10.30.

The committee adjourned.

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SENATE INTERSTATE COMMERCE COMMITTEE,  
*Saturday, January 28, 1905.*

**STATEMENT OF S. H. COWAN—Continued.**

The CHAIRMAN. You may proceed with your statement, Judge Cowan.

Mr. COWAN. Mr. Chairman and Senators, there are so many matters I could talk about to-day and which would be of interest that it is utterly impossible for me to undertake to cover the whole subject under investigation. That would require not only months, but I should say years, time, to become thoroughly familiar with the entire situation. Many people suppose they are familiar with it who are not.

Senator KEAN. That is certainly the truth.

Mr. COWAN. Well, I undertake to speak the truth when I think it is of advantage. [Laughter.]

Gov. Bob Taylor tells the story of a little boy in Sunday-school, who, when called upon to say what the Bible says in regard to a lie, said: "It is a great abomination in the sight of the Lord, but a powerful help in time of need." [Laughter.]

We presented a petition to the Interstate Commerce Commission, in February last, in which I set out the complaint of the largest cattle-producing section in the world. That complaint was printed because we had to furnish copies to sixty different railroads. I drew the complaint myself. Being largely matters of opinion, I should be willing to swear that the opinion is correctly held by those of us who are on the side opposite to the carriers in our part of the country. We are on the opposite side, I will say, with respect to legal matters, not personally. The complaint sets out a number of matters which, if the committee will permit me to file as an exhibit with what I have to say, it will gain considerable information that we believe to be substantially true. If you will permit me to file it, it will save me going into some matters.

Senator DOLLIVER. I think, Mr. Chairman, it ought to be filed and printed.

The CHAIRMAN. Let it be filed as part of Mr. Cowan's statement. You can have it put at the end of your statement as an appendix or it can be put in right here.

Mr. COWAN. I am satisfied to have it go in as an exhibit to my statement. The facts therein stated, so nearly as I know, are true. We set forth the advances which have been made in the rates since 1898 from various central cattle-shipping points to various markets—St. Louis, Kansas City, and Chicago—showing what the rate was in 1898 and what it was in 1904, when this petition was filed.

The complaint referred to is as follows:

Before the Interstate Commerce Commission. The Cattle Raisers' Association of Texas, complainant, *v.* the Missouri, Kansas and Texas Railway Company, and others.

To the INTERSTATE COMMERCE COMMISSION :

1. The Cattle Raisers' Association of Texas, complainant, presents this, its petition, in behalf of itself, its members, and others having like interests, including the shippers of live stock generally, and complains of the following-named defendants, to wit :

The Atchison, Topeka and Santa Fe Railway Company.  
 Chicago, Rock Island and Pacific Railway Company.  
 Choctaw, Oklahoma and Gulf Railroad Company.  
 Houston and Shreveport Railroad Company.  
 Kansas City Southern Railway Company.  
 Missouri, Kansas and Texas Railway Company.  
 The Missouri Pacific Railway Company.  
 St. Louis, Iron Mountain and Southern Railway Company.  
 St. Louis Southwestern Railway Company.  
 St. Louis and San Francisco Railroad Company.  
 Union Pacific Railroad Company.  
 Cane Belt Railroad Company.  
 Chicago, Rock Island and Gulf Railway Company.  
 Chicago, Rock Island and Mexico Railway Company.  
 Chicago, Rock Island and Texas Railway Company.  
 Choctaw, Oklahoma and Texas Railroad Company.  
 Eastern Texas Railroad Company.  
 El Paso and Northeastern Railway Company.  
 Fort Worth and Denver City Railway Company.  
 Fort Worth and Rio Grande Railway Company.  
 Galveston, Harrisburg and San Antonio Railway Company.  
 Galveston, Houston and Henderson Railroad Company.  
 Galveston, Houston and Northern Railway Company.  
 Gulf, Beaumont and Great Northern Railway Company.  
 Gulf, Beaumont and Kansas City Railway Company.  
 Gulf, Colorado and Santa Fe Railway Company.  
 The Gulf and Interstate Railway of Texas.  
 Gulf, Western Texas and Pacific Railway Company.  
 Houston, East and West Texas Railway Company.  
 Houston and Texas Central Railroad Company.  
 International and Great Northern Railroad Company.  
 Missouri, Kansas and Texas Railway Company of Texas.  
 New York, Texas and Mexican Railway Company.  
 Paris and Great Northern Railroad Company.  
 Pecos Valley and Northeastern Railway Company.

Pecos and Northern Texas Railway Company.  
 Pecos River Railroad Company.  
 Red River, Texas and Southern Railway Company.  
 San Antonio and Aransas Pass Railway Company.  
 San Antonio and Gulf Railroad Company.  
 St. Louis, San Francisco and Texas Railway Company.  
 St. Louis Southwestern Railway Company, of Texas.  
 Texas and New Orleans Railroad Company.  
 Texas and Pacific Railway Company.  
 Texas Central Railroad Company.  
 Texas Mexican Railway Company.  
 Texas Midland Railroad Company.  
 The Colorado and Southern Railway Company.  
 The Southern Kansas Railway, of Texas.  
 Weatherford Mineral Wells and Northwestern Railway Company.  
 Wichita Valley Railway Company.  
 Chicago, Burlington and Quincy Railroad Company.  
 Chicago and Northwestern Railway Company.  
 Chicago and Alton Railway Company.  
 Chicago Great Western Railway Company.  
 Chicago and Eastern Illinois Railroad Company.  
 Chicago, Milwaukee and St. Paul Railway Company.  
 Illinois Central Railroad Company.  
 Wabash Railroad Company.

And so complaining, represents:

2. That the Cattle Raisers' Association of Texas is a voluntary association and organization of persons, firms, and corporations, consisting of about 1,500 members, engaged in the business of raising, buying, and selling cattle, and as incident to and as part of that business, shipping and transporting them by railroad over the lines of railways of the respective defendants as interstate traffic; that the members of complainant association are engaged in such business principally in the State of Texas, Territory of New Mexico, Territory of Oklahoma, Territory of Arizona, Indian Territory, and States of Colorado and Kansas, and to some extent in the States of Nebraska, Wyoming, Montana, and South Dakota, and Republic of Mexico.

That the members of complainant association own and control approximately 4,000,000 of cattle in said States and Territories, and move and ship as interstate traffic on the lines of railways of the defendants many hundreds of thousands of cattle every year; that such business has been so conducted for many years by the members of complainant association, and by others engaged in the live-stock business, and forms a most important element of the material wealth and industry of the States and Territories mentioned. That the manner in which such business is conducted is, that cattle are raised upon the farms and ranches of said States and Territories, and as an element and article of commerce are bought and sold, fattened and prepared for market, and ultimately shipped to the great markets of the country for sale, slaughter, and consumption, as well as for export, and in the course of which business many of such cattle are shipped by railway from the farms and ranches where the same are raised to pastures in other States or Territories, generally from the more southern to the

northern climate to be fattened upon the ranges and pastures or in the feed lots and then shipped on to market for sale and slaughter.

That in the course of such business such cattle are being constantly shipped as interstate traffic over defendants' railroads to the markets, the principal of which are Kansas City, Mo. and Kansas, St. Joseph, Mo., South Omaha, Nebr., St. Louis, Mo., Chicago, Ill., Fort Worth, Tex., New Orleans, La., Denver and Pueblo, Colo., as well as to other markets, and that many shipments are made in the course of such business from Texas, Oklahoma, New Mexico, and Arizona points to the States and Territories north and northwest for grazing purposes. That other persons than complainant members are engaged in the live stock business in raising, buying, and selling, and shipping cattle, horses, sheep, and hogs in said States and Territories, handling their business in a similar manner, and ultimately marketing their products at said markets and shipping the same over the defendants' railroads as interstate traffic.

3. That the defendants are each and all engaged in the transportation of cattle and other live stock by railroad, as common carriers under a common control, management, or arrangement for a continuous carriage or shipment between points in each of the said States and Territories and points in each of the others of such States and Territories, and between points in each of such States and Territories and the said markets named as well as to other markets and destinations not named, and as to all such traffic and otherwise are each and all subject to the act to regulate commerce. That such defendants have been so engaged for many years past, except some of the defendants who own or operate new lines of railway, as to which they have been so engaged since the construction of their respective lines of road.

4. Complainant charges that the rates, fares, and charges for the service rendered and to be rendered by the defendants in the transportation over their lines of railroads of cattle and other live stock from all points in each of the said States and Territories to the said markets mentioned, as well as to other markets and elsewhere; that is to say, all of the interstate rates applicable to all interstate shipments of cattle and other live stock from all points in said States and Territories are unjust, unreasonable, and unlawful, and in violation of section 1 of the act to regulate commerce.

And that such rates applicable to such shipments as aforesaid, which were put in force by defendants during the year 1899 and ever since the same became effective, up to and including this date, were, have been, and are, likewise, unjust and unreasonable and, likewise, in violation of section 1 of the act to regulate commerce. For example, the rates on beef cattle and calves in carload lots, in cents per hundred pounds, between the stations hereafter named, in effect in the years 1898 and 1903, are and were as follows:

	1903.	1898.	Increase.
From Fort Worth, Tex., to—			
Chicago .....	52½	44½	8½
St. Louis .....	42½	34	8½
Kansas City .....	36½	28	8½
From Colorado, Tex., to—			
Chicago .....	58½	49½	9
St. Louis .....	48	39	9
Kansas City .....	42	33	9
From San Antonio, Tex., to—			
Chicago .....	62½	55½	7
St. Louis .....	51½	45½	6
Kansas City .....	51½	45½	6
From Alpine, Tex., to—			
Chicago .....	73½	65½	8½
St. Louis .....	63½	55	8½
Kansas City .....	57½	49	8½
From Amarillo, Tex., to—			
Chicago .....	52½	44½	8½
St. Louis .....	42½	34	8½
Kansas City .....	34½	28	6½
From Woodward, Okla., to—			
Chicago .....	47	40	7
St. Louis .....	38½	31½	7½
Kansas City .....	29½	22½	7
From Oklahoma city, to—			
Chicago .....	42½	47½	4½
St. Louis .....	34	39	6
Kansas City .....	21½	31	9½
From Muscogee, Ind. T., to—			
Chicago .....	39½	35½	4½
St. Louis .....	31	26½	4½
Kansas City .....	23	17½	5½
From South McAlister, Ind. T., to—			
Chicago .....	47½	41½	6½
St. Louis .....	39	31	8
Kansas City .....	31	23	8
From Chickasha, Ind. T., to—			
Chicago .....	48½	42½	6
St. Louis .....	40	.....	.....
Kansas City .....	32½	26½	6

Complainant would show to the Commission, from the above illustrations, the advances which have been made within the past five years in the freight rates on cattle, and it avers that the examples given indicate substantially the advances which have been made from Texas, Indian Territory, and Oklahoma points; and further, that similar advances have been made from points in New Mexico and Arizona to the advances made in rates from Texas points, and that similar advances have been made from points in Kansas and Colorado to the advances made from points in Indian Territory and Oklahoma, but complainant is not able to state the precise amount thereon, and therefore refers to the tariffs on file with the Commission to show the amount and dates of such advances.

Complainant avers that on or about February 1, 1899, the defendants conspiring and confederating together by unlawful combination and joint arrangement between each other, in restraint of trade and with the purpose and intent of stifling competition between themselves, and between each of them and other railway companies engaged in interstate transportation of cattle and other live stock, unlawfully advanced the said rates of freight for the transportation of cattle and other live stock from all the points in the States and Territories mentioned to all points in each of the other States and Territories mentioned, and from all of the points in each of the States and Territories mentioned to the several markets mentioned and as well to other markets not specifically mentioned, and at said date or about said date, as complainant is informed and believes and hence charges, said



defendants thereby advanced said rates of freight about 2½ cents per 100 pounds the exact amount of which advances from the different points of origin of cattle and other live stock shipments from said States and Territories to the said several markets, complainant is not able to state, but refers to said tariffs on file.

And, also, on or about December 15, 1899, said defendants in like manner, with like intent and purpose, again advanced said rates as applicable from Texas, Indian Territory, Oklahoma, and New Mexico points the amount of 3 cents per 100 pounds; and also advanced the said rates from points in said other States, but the amounts thereof complainant can not definitely state, but makes reference to said tariffs on file to show the same. Complainant further states that, as applicable from some of the points in the States and Territories mentioned to points in others of such States and Territories mentioned, there were other advances of the said rates during the year 1899, to show which reference is made to said tariffs on file.

Complainant charges that said advances in said rates of freight were and are unlawful, unjust, and unreasonable, and in violation of section 1 of the act to regulate commerce; and further, that the rates of freight from the points and territory aforesaid to the points and territory aforesaid thereby became unjust and unreasonable and unlawful and in violation of the provisions of section 1 of said act.

Complainant further avers and charges that the said rates of freight as advanced as aforesaid have since, by the unlawful combination of defendants, been maintained, and that defendants have from time to time since such advances were made again advanced said rates of freight, for the dates and amounts of which complainant refers to the tariffs on file.

That particularly about March, 1903, the defendants, in pursuance of their aforesaid conspiracy, confederacy, and combination in restraint of trade, unlawfully advanced the said existing rates of freight on cattle and other live stock between points in each of said States and Territories and points in each of such other States and Territories, and between the points in such States and Territories and the said markets mentioned, as well as other markets, to the amount of about 3 cents per 100 pounds, thereby making said rates higher than they had been for fifteen years. That such advances were unlawfully made and were and are unjust and unreasonable and in violation of section 1 of the act to regulate commerce, and the rates of freight as so advanced were and are likewise unlawful, unjust, and unreasonable, and in violation of the act to regulate commerce.

That through and by means of said unlawful combination and conspiracy said defendants have since said dates of increasing said rates as aforesaid unlawfully maintained the same as thus increased, and demanded, received, and collected the same upon all shipments of cattle and other live stock between each of said States and Territories and all points in each of such other States and Territories, and between all points in such States and Territories and each of said markets, as well as to all other markets to which shipments were and are made.

That during the period while such unreasonable rates have been in force complainant's members have shipped many hundreds of thousands of cattle and paid therefor such unlawful charges; that such shipments have been so made from each of said States and Territories to said markets mentioned, as well as to other markets, and from points

in each of said States and Territories to points in each of the other States and Territories than the one from which the shipments were made, but the dates and amounts of such shipments and points between which they were made complainant can not now show, but offers that its members will make such showing of the said facts as the Commission may require upon granting the relief hereinafter prayed for.

5. Complainant would further show to the Commission that the rates of freight upon cattle and other live stock applicable to such interstate shipments as is hereinbefore mentioned, were before the increases and advances complained of sufficiently high to afford to the defendants reasonable compensation for the service of performing such transportation, and the amount thereof was, during the year 1898 and up to the advances made in the year 1899, substantially the average of such rates in force for the ten years next preceding said advances complained of, and are now higher from substantially all points in said States and Territories than they have been for fifteen years.

The local rates within such States, where regulated by law, upon cattle and other live-stock shipments have had no material advance during the period of the advances in the interstate rates complained of, and, as a comparison of such interstate rates and local rates will show, are from 20 to 30 per cent lower than the interstate rates complained of for similar distances.

For example: Texas local rates on beef cattle and calves, distance 500 to 550 miles, 26½; distance 650 to 700 miles, 30. From Fort Worth and north Texas points to Kansas City, distance 500 to 550 miles, 36½; north Texas points to St. Louis, distance 600 to 700 miles, 42½.

And by the local distance tariff of the States of Illinois and Iowa, rates on cattle and other live stock are proportionately still lower than those of Texas, while local rates in Kansas, Missouri, and Nebraska are not substantially higher than local rates for similar distances in Texas.

This complainant would show that it is because of the fact that the defendants are unrestrained as to such interstate rates, and by reason of the combination of the defendants whereby competition is eliminated, that such interstate rates are abnormally high, whereas, by the action of State commissions and legislative action, the local rates within such States have been kept down to a reasonable basis.

6. Complainant would further show to the Commission that previous to January 1, 1904, the shippers of live stock were accorded the privilege, as specified in said tariffs, of going along with their live stock on the same train in which the same was shipped to attend to such live stock and look after its welfare en route, and where such shipments were composed of two carloads or more to have return passage on passenger train, free of charge, which was a valuable privilege, permitting the owner or his representative attending the marketing and selling of such live stock and caring for them according to his judgment from time of shipment until they were sold, and to otherwise see that his interests were protected. But, as complainant avers, on or about January 1, 1904, the defendants, by their joint and several action, and by concerted agreement and combination with each other, canceled said tariffs according the privileges to the owner, his agent or employee, of going with such shipments and having return passage free, and now no such privilege is had in such shipments, and if the

owner or shipper would have the privilege of going with such shipments of live stock he must incur the expense of paying his regular fare for return passage.

This results in most cases of depriving the owner of the privilege of going along with his live stock or sending his agent or employee to see to it that such live stock are properly cared for, to the end of getting the same upon the market in the best condition. Thus not only have said rates of freight been increased, but the service heretofore performed to the owner or the shipper in consideration of such rates has been materially curtailed, and the said rates rendered still more unjust and unreasonable.

Complainant would further show to the Commission that some of the defendant carriers effect to believe, and they make the claim, that the advances in freight rates were justified by the increased value of live stock over what it was when the lower rates prevailed. As to which complainant says that the value of cattle has decreased enormously within the last two years, as is well known to the defendants, and are of less value on the markets to-day than at any time in many years, and the burdens of excessive rates of freight to-day bear more heavily upon the producers of cattle than at any time in the past, so that upon shipments from southwestern Texas, western Texas, New Mexico, and Arizona, the rates of freight to the markets, upon ordinary range cattle, which are the kind produced and shipped, take from 30 to 50 per cent of their value.

Complainant would further show that the defendants claim that, because of an increase in operating expenses due to an alleged increase in the cost of material and supplies and to an increase in the wages paid to employees and laborers, the defendants were entitled to advance their rates and to so maintain such advanced rates. As to this complainant would show that any increased cost of materials and supplies, as well as the price of labor, is and has been more than offset by the increased tonnage carried by said railroads and by the various economies which have been constantly introduced in railroad operation and adopted, or which might have been adopted, by defendants. That, by reason of the increase in tonnage, these economies, and of the improvements in roadway and equipment freight is moved cheaper to-day than at any time during the history of railroading, yet the rates complained of are higher, which shows an additional ground for holding the same unjust and unreasonable.

7. Complainant would show to the Commission that the defendants, or some of them, seek to justify said advances in said rates and the existing rates upon the claim and pretense that the service which said carriers perform in transportation of live stock has been improved, and that it is better and quicker service than it was when the rates were lower. As to this, complainant says that the service has not improved; that cattle trains, as a rule, are not run at any greater speed, and, in fact, as complainant believes, the service is poorer than it was ten years ago, both in the manner of handling cattle and other live-stock shipments and in the time consumed in their transportation, and is therefore less valuable than it was ten years ago.

Defendants also seek to justify such advances in the rates of freight and the existence of the present rates complained of upon the claim that so large an amount of damages is paid on cattle and other live-stock shipments that the business of transporting such freight is

unprofitable. As to which, the complainant says that if there is any increase in the amount of damages incurred to live-stock shipments, it is by reason of the negligent acts of the defendants themselves, in delaying the shipments by failing to furnish cars or delays in transportation. Complainant says that to permit defendants to maintain unreasonably high rates of freight in order to enable it to pay damages occasioned by their negligence would be to permit them to tax all shippers of live stock to enable defendant to compensate a shipper who is damaged by the carrier's wrongful act, and thus enable the carrier to reap a benefit from its own wrong.

8. Complainant would further show to the Commission that in addition to the aforesaid unjust and unreasonable charges that all of said defendants impose and charge, and the defendants whose lines reach the market at Chicago charge, demand, and collect, in addition to the regular transportation charges to Chicago from said States and Territories, a \$2 terminal charge upon each car of live stock going to the Chicago market, and have so imposed, charged, and collected the same since June 1, 1894. Complainant avers and charges that the same was and is an unreasonable exaction added to and collected in addition to said unreasonable transportation charges, and that the service for which it purports to have been imposed, viz, for delivery to the Union Stock Yards at Chicago, was and is comprehended in the through rate.

Complainant says that the said through rate to Chicago at all times comprehended the service of transportation of live stock to said Union Stock Yards upon the Chicago rate from all points in said States and Territories, and that the same was at all times sufficiently high to afford a reasonable compensation for such transportation from points in such States and Territories to the Union Stock Yards at Chicago, including the delivery there of such live stock. That such terminal charge is therefore unjust and unreasonable, and in violation of section 1 of the act to regulate commerce. Complainants further show that no such charge is made at any of the other markets, and that under the circumstances the imposition of such charges at Chicago constitutes an undue and unreasonable prejudice and disadvantage to shippers who ship, or desire to ship, to said market, and is therefore in violation of section 3 of the act to regulate commerce.

9. Complainant would further show to the Commission that the defendants customarily feed cattle in transportation to market and elsewhere, and in doing so the charges made therefor follow the cattle to destination and are there customarily collected along with the freight charges, and that such feed charges are exorbitant, unjust, and unreasonable in this, that the charges made for feed furnished or fed to cattle and other live stock, consisting of hay, grain, cotton-seed meal, or other classes of food, are not based upon the reasonable value thereof, but are made against the shippers at a price 50 per cent more than its value. The complainant avers that such unreasonable charges in connection with the transportation of cattle and other live stock are in violation of section 1 of the act to regulate commerce.

#### PRAYER.

Premises considered, complainant prays that the defendants be required to answer this petition, and that the matter be set down for hearing by this honorable Commission as soon as practicable, and that

upon hearing of the evidence that the Commission find said rates of freight and advances and charges unjust and unreasonable and make its proper order commanding the defendants to cease and desist from charging and collecting such unlawful rates and charges; and, also, that the Commission make an order of reparation against said defendants in favor of the complainant and its members for the injuries and damages which may be shown to have been suffered by them because of such unjust and unreasonable rates and charges; and, also, complainant prays for such other findings and orders as it shall show itself or its members entitled to, or to which it may be made to appear to the Commission others are entitled, by reason of such unjust and unreasonable rates and charges.

THE CATTLE RAISERS' ASSOCIATION OF TEXAS,  
By JOHN T. LYTLE,

*Secretary and General Manager.*

COWAN & BURNEY,  
*Attorneys for Complainant, Fort Worth, Tex.*

Mr. COWAN. I would ask the committee, in view of the fact which has been stated by a number of railroad gentlemen that unreasonable rates of themselves had disappeared, and in view of the fact that I dispute this proposition, I would ask this committee to pass a resolution requesting the Interstate Commerce Commission to submit the actual advances in rates by tariffs, not per ton per mile, because there is absolutely nothing in that. Let the actual advances be produced, because that is the test. The test is what the people have to pay, not what is the average per ton per mile. What the railroads' accumulation of traffic may amount to, when figured out, is only a matter of curiosity, because no traffic man pays rates based on that, and no shipper gets a rate on it. When you accumulate the whole traffic, divide it into the revenue, and thus obtain the rate per ton mile, you have nothing but a mere curiosity in figures. Their total rate per ton mile showed a decrease. I have seen railroad men undertake to mislead the Commission and these committees with such statements until, candidly, as a lawyer, I am heartily tired of it.

The CHAIRMAN. Has there been an advance in the expenses of operating the roads and in the prices of beef cattle?

Mr. COWAN. To the man who sells beef cattle there has been a very serious decline; to the man who sells the meat products there has been an advance.

The CHAIRMAN. A railroad man would ask that question.

Mr. COWAN. I can answer your question as to the increased cost of operation, referring to the increased cost of supplies, material, and labor, by filing with you a brief that is the result of months of work, the statements in which are taken from the annual reports of the railroads mentioned, and from the actual testimony of witnesses with respect to the prices of specifically named articles.

The brief referred to follows:

Before the Interstate Commerce Commission—In the matter of class and commodity rates from St. Louis to Texas common points in force over the lines of railway of the following-named respondents: No. 677, Missouri, Kansas and Texas Railway Company; No. 678, St. Louis Southwestern Railway Company; No. 679, St. Louis and San Francisco Railroad Company; No. 680, Missouri Pacific Railway Company; Texas and Pacific Railway Company; St. Louis, Iron Mountain and Southern Railway Company; International and Great Northern Railroad Company; Atchison, Topeka and Santa Fe Railway Company; Gulf, Colorado and Santa Fe Railway Company; Chicago, Rock Island and Pacific Railway Company; and Chicago, Rock Island and Texas Railway Company.

*Brief and argument by counsel for the Commission.*

[S. H. Cowan, Fort Worth, Tex., P. J. Farrell, Washington, D. C., attorneys representing the Commission.]

In briefing this case we desire to confine the discussion principally to the disputed questions of fact. There are really no questions of law involved. Most of the facts are admitted. We do not intend to undertake to lay down or establish any principles with respect to the matter as to what in the first instance would constitute a reasonable basis for a schedule of freight rates or the relation between them, the one to the other. When the advances were made in the rates which are complained of there was existing a certain status or condition of affairs with respect to these rates, and for the purposes of this case we will assume as a premise that the relation of the rates and the amount thereof were proper—certainly that the rates were high enough to afford a reasonable compensation for the service performed. The fact that they had existed for so many years, as shown in the subsequent table, ought to be sufficient proof in the absence of some competent evidence to prove the contrary.

A discussion of all the testimony in the case would extend this brief beyond the point of usefulness. Much of the testimony enters into the minute details of operating expenses, and we deem it unprofitable to take up time in discussing it. Furthermore, not knowing in advance the grounds which will be taken by the respondents in justification of these advances—that is, the grounds of argument which they may adopt—if we should undertake the discussion of other points than are presented directly by the answers which they have filed it might miss the points of dispute.

STATEMENT OF THE CASE AND ISSUES.

On the 15th day of March, 1903, material advances were made in the class rates and many of the commodity rates from St. Louis to Texas common points. The common-point territory in the State of Texas includes almost the entire State commercially, though in point of geographic area it leaves out what may be called western and southwestern Texas. The effect of increasing these rates from St. Louis was to increase the rates from all territory east of the Mississippi River, whether moving through the St. Louis gateway or the upper Missis-

## 74 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

Mississippi River crossings of the Chicago lines, or from Memphis, New Orleans, and other lower Mississippi River crossings. The Commission thereupon instituted this proceeding of its own motion, for the purpose of inquiring whether the advances in the rates were unreasonable or otherwise in violation of the act to regulate commerce.

These advances in the class rates are shown in the following table:

[Rates in cents per 100 pounds.]

Date.	Classes.									
	1.	2.	3.	4.	5.	A.	B.	C.	D.	E.
April 1, 1887.....	120	104	88	77	63	67	60	55	45	40
October 15, 1888.....	120	104	88	77	63	67	60	55	45	40
January 20, 1889.....	133	117	101	90	70	75	67	60	48	40
November 15, 1891.....	133	117	102	92	72	76	67	57	46	39
December 4, 1893.....	130	113	97	90	70	74	65	54	43	36
March 15, 1903.....	137	121	104	96	75	79	70	58	46	39

Many advances in rates resulted from changes made in classification. A few of the advances made in commodity rates are as follows:

[Rates in cents per 100 pounds.]

	April 1, 1887.	March 15, 1903.
Agricultural implements.....	60	70
Iron and steel articles, in less than carloads.....	77	96
Stoves, in carloads.....	67	75
Cotton piece goods.....	120	122

Many other commodity rates were advanced.

The respondents, in obedience to the orders and requirements of the Commission, each filed an answer, except the Chicago, Rock Island and Texas Railway Company, denying that the rates or advances of the rates in controversy were in violation of any of the provisions of the act to regulate commerce. While the answers differ somewhat in detail and set out more or less alleged facts in support of the general allegations, yet for the purpose of briefing this case the substance of the answers may be stated as follows:

First. That the rates resulting from the advances made are reasonable, just, and otherwise lawful.

Second. That the advances in the rates were rendered necessary and were justified by an increase in the cost of operating respondents' lines of railway, (a) because of the increased cost of labor, which had partly occurred previous to the advances in the rates, and which partly occurred thereafter by reason of the demands of labor organizations and other employees, and (b) because of the increased cost of supplies and materials used in the operation and construction of the respondents' lines of railway.

The evidence was taken with respect to these issuable facts, and in its scope embraced (I) cost and comparative cost of labor; (II) the cost and comparative cost of materials and supplies; (III) the financial condition, expenditures, operating expenses, net earnings, and various other matters pertaining to the operation; (IV) the method and manner of making the advances in the rates, and the reasons which actuated the respondents in doing so.

We will discuss the case under these heads.

I. *Cost and comparative cost of labor.*—Whatever advances were made in the wages of employees—which, when compared with 1892, are quite small and in some instances less than they were in 1892—are more than offset by the various economies in using that labor as a means of producing profit from railroad operation, as will fully appear from tables subsequently to be introduced in this brief. It must not be overlooked that a large amount of the total labor cost is due to extensive improvements and betterments during the past few years; therefore the ratio to earnings for those years is greater than it otherwise would be.

The average wages paid by respondents to their employees for the years ending June 30, 1888, 1892, 1894, and 1903, were as follows:

## GENERAL OFFICERS.

	June 30, 1888.	June 30, 1892.	June 30, 1894.	June 30, 1903.
M., K. & T. Co.....		\$9.97	\$10.02	\$15.44
St. L. S. W. Co.....		7.60	7.55	8.60
St. L. & S. F. Co.....		14.63	14.76	20.34
Mo. Pac. Co.....		9.47	7.93	9.16
T. & P. Co.....		8.49	13.22	15.98
St. L., I. M. & S. Co.....		9.47	7.98	9.35
I. & G. N. Co.....		12.64	9.38	10.99
A., T. & S. F. Co.....		14.05	18.98	18.85
G., C. & S. F. Co.....		8.03	13.23	10.55
C., R. I. & P. Co.....		23.96	26.65	26.42
C., R. I. & T. Co.....			6.51	6.52

## GENERAL OFFICE CLERKS.

M., K. & T.....		\$2.36	\$2.46	\$2.72
St. L. S. W.....		2.31	2.68	2.21
St. L. & S. F.....	\$2.36	2.13	2.27	2.00
Mo. Pac.....		2.06	1.98	1.90
T. & P.....	2.51	2.54	2.79	2.18
St. L., I. M. & S.....		2.06	1.97	1.90
I. & G. N.....	2.81	2.74	2.61	2.15
A., T. & S. F.....	2.18	2.17	2.24	2.23
G., C. & S. F.....	2.68	2.46	2.69	2.45
C., R. I. & P.....	2.30	3.13	2.55	2.23
C., R. I. & T.....			2.32	2.25

## STATION AGENTS.

M., K. & T.....	\$1.44	\$2.15	\$2.46	\$2.64
St. L. S. W.....		1.67	1.32	1.54
St. L. & S. F.....	1.50	1.45	1.41	1.75
Mo. Pac.....	1.25	1.70	1.79	2.07
T. & P.....	2.46	2.96	2.84	2.57
St. L., I. M. & S.....	1.28	1.89	2.00	2.00
I. & G. N.....	2.45	2.48	2.36	2.54
A., T. & S. F.....	1.88	1.84	1.74	1.92
G., C. & S. F.....	2.20	2.18	2.07	2.44
C., R. I. & P.....	2.00	1.94	1.99	1.71
C., R. I. & T.....			2.05	1.92

## OTHER STATION MEN.

M., K. & T.....	\$1.25	\$1.65	\$1.51	\$1.88
St. L. S. W.....		1.55	1.76	1.69
St. L. & S. F.....	1.48	1.51	1.47	1.55
Mo. Pac.....	1.09	1.59	1.64	1.70
T. & P.....	1.72	2.01	1.89	1.71
St. L., I. M. & S.....	1.12	1.60	1.66	1.51
I. & G. N.....	1.85	1.77	1.68	1.67
A., T. & S. F.....	1.61	1.59	1.56	1.70
G., C. & S. F.....	1.45	1.91	1.82	1.62
C., R. I. & P.....	1.25	1.80	1.85	1.54
C., R. I. & T.....			1.55	1.60



# 76 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

## ENGINEMEN.

	June 30, 1888.	June 30, 1892.	June 30, 1894.	June 30, 1903.
M. K. & T.....	\$3.66	\$3.65	\$3.85	\$4.12
St. L. S. W.....	4.28	3.62	3.72	3.83
St. L. & S. F.....	3.62	4.06	4.06	3.90
Mo. Pac.....	3.41	3.59	3.60	3.90
T. & P.....	3.58	3.84	3.69	3.81
St. L., I. M. & S.....	3.35	3.68	3.64	3.95
I. & G. N.....	4.20	3.44	3.89	5.22
A., T. & S. F.....	3.24	4.65	4.65	4.16
G., C. & S. F.....	4.00	3.55	3.80	4.16
C., R. I. & P.....	4.04	4.29	3.82	3.82
C., R. I. & T.....		3.75	3.75	3.75

## FIREMEN.

	\$2.09	\$2.15	\$2.23	\$2.56
M., K. & T.....	2.07	2.17	2.26	2.26
St. L. S. W.....	2.18	2.31	2.29	2.35
St. L. & S. F.....	2.05	2.14	2.14	2.32
Mo. Pac.....	1.71	2.18	2.16	2.29
T. & P.....	2.07	2.17	2.17	2.29
St. L., I. M. & S.....	2.05	1.98	2.19	3.02
I. & G. N.....	2.37	2.62	2.81	2.58
A., T. & S. F.....	1.77	2.23	2.24	2.61
G., C. & S. F.....	2.00	2.49	2.71	2.43
C., R. I. & P.....			2.34	2.17
C., R. I. & T.....				

## CONDUCTORS.

	\$2.75	\$3.07	\$3.31	\$3.60
M., K. & T.....	2.96	3.09	4.00	4.00
St. L. S. W.....	3.33	3.14	3.18	3.39
St. L. & S. F.....	2.46	3.07	3.26	4.01
Mo. Pac.....	3.56	3.98	3.91	3.68
T. & P.....	3.07	3.29	3.16	3.87
St. L., I. M. & S.....	3.05	3.07	3.37	4.55
I. & G. N.....	2.90	3.33	3.80	3.71
A., T. & S. F.....	2.14	3.56	4.80	3.84
G., C. & S. F.....	3.20	3.64	3.87	3.19
C., R. I. & P.....			3.23	3.22
C., R. I. & T.....				

## OTHER TRAINMEN.

	\$1.74	\$1.92	\$2.01	\$2.18
M., K. & T.....	1.94	2.06	2.30	2.30
St. L. S. W.....	2.12	1.90	1.94	2.30
St. L. & S. F.....	1.58	1.95	2.02	2.53
Mo. Pac.....	2.30	2.49	2.41	2.30
T. & P.....	1.92	2.13	1.98	2.51
St. L., I. M. & S.....	1.88	1.94	2.03	2.29
I. & G. N.....	1.89	2.18	2.10	2.33
A., T. & S. F.....	1.27	2.36	2.57	2.41
G., C. & S. F.....	1.73	1.98	2.42	2.11
C., R. I. & P.....			1.99	1.95
C., R. I. & T.....				

## MACHINISTS.

	\$2.50	\$2.92	\$2.91	\$3.19
M., K. & T.....	2.18	2.99	3.78	3.78
St. L. S. W.....	2.00	1.95	2.01	2.29
St. L. & S. F.....	2.62	2.71	2.74	3.81
Mo. Pac.....	2.35	3.15	3.04	3.24
T. & P.....	2.73	2.79	2.86	3.43
St. L., I. M. & S.....	2.85	2.36	2.80	2.60
I. & G. N.....	2.14	1.88	2.77	3.09
A., T. & S. F.....	2.46	2.40	2.60	2.55
G., C. & S. F.....	2.30	2.01	2.03	2.96
C., R. I. & P.....			2.82	3.19
C., R. I. & T.....				

## CARPENTERS.

	June 30, 1888.	June 30, 1892.	June 30, 1894.	June 30, 1903.
M., K. & T.	\$2.36	\$2.30	\$2.31	\$2.74
St. L. S. W.		2.18	2.42	2.50
St. L. & S. F.	2.03	2.20	2.13	2.28
Mo. Pac.	2.34	2.36	2.34	2.36
T. & P.	1.75	2.27	2.04	2.32
St. L., I. M. & S.	2.24	2.30	2.23	2.32
I. & G. N.	2.48	2.53	2.36	2.19
A., T. & S. F.	2.33	2.17	2.23	2.55
G., C. & S. F.	2.01	2.45	2.69	2.47
C., R. I. & P.	2.25	1.96	2.13	2.20
C., R. I. & T.			2.29	2.29

## OTHER SHOPMEN.

	\$1.77	\$1.79	\$1.81	\$2.10
M., K. & T.				
St. L. S. W.		2.05	1.80	2.25
St. L. & S. F.	1.42	1.53	1.66	2.09
Mo. Pac.	1.80	1.94	1.89	2.00
T. & P.	1.80	1.91	1.81	1.81
St. L., I. M. & S.	1.69	1.77	1.80	1.91
I. & G. N.	2.05	1.97	1.84	1.94
A., T. & S. F.	1.80	1.98	1.80	1.87
G., C. & S. F.	1.61	1.83	1.91	1.89
C., R. I. & P.	1.25	1.71	1.74	1.72
C., R. I. & T.			1.73	1.70

## SECTION FOREMEN.

	\$1.71	\$1.66	\$1.71	\$1.91
M., K. & T.				
St. L. S. W.		1.71	1.65	1.81
St. L. & S. F.	1.59	1.34	1.35	1.47
Mo. Pac.	1.64	1.51	1.51	1.54
T. & P.	1.91	2.11	2.21	1.84
St. L., I. M. & S.	1.87	1.65	1.68	1.74
I. & G. N.	1.85	1.80	1.81	1.67
A., T. & S. F.	1.84	1.72	1.66	1.84
G., C. & S. F.	1.73	1.68	1.66	1.81
C., R. I. & P.	1.73	1.87	1.84	1.80
C., R. I. & T.			1.59	1.69

## OTHER TRACKMEN.

	\$1.16	\$1.16	\$1.15	\$1.36
M., K. & T.				
St. L. S. W.		1.20	1.18	1.40
St. L. & S. F.	1.14	1.12	1.14	1.34
Mo. Pac.	1.15	1.15	1.13	1.43
T. & P.	1.20	1.16	1.18	1.18
St. L., I. M. & S.	1.18	1.18	1.16	1.44
I. & G. N.	1.15	1.19	1.16	1.14
A., T. & S. F.	1.15	1.28	1.24	1.41
G., C. & S. F.	1.31	1.30	1.25	1.21
C., R. I. & P.	1.15	1.15	1.21	1.44
C., R. I. & T.			1.20	1.36

## SWITCHMEN, FLAGMEN, AND WATCHMEN.

	\$1.73	\$2.05	\$2.11	\$2.62
M., K. & T.				
St. L. S. W.		2.20	2.04	2.37
St. L. & S. F.	2.10	2.45	2.55	2.65
Mo. Pac.	1.94	2.22	2.19	1.62
T. & P.	2.06	2.64	2.94	1.48
St. L., I. M. & S.	1.75	2.22	2.28	1.24
I. & G. N.	2.00	2.32	1.96	2.65
A., T. & S. F.	2.24	2.42	2.35	2.75
G., C. & S. F.	1.26	2.39	2.16	2.32
C., R. I. & P.	1.35	2.21	2.25	1.37
C., R. I. & T.			2.40	1.64

## 78 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

## TELEGRAPH OPERATORS AND DISPATCHERS.

	June 30, 1888.	June 30, 1892.	June 30, 1894.	June 30, 1903.
M., K. & T.....	\$1.32	\$1.86	\$2.07	\$2.14
St. L. S. W.....		1.96	2.38	2.20
St. L. & S. F.....	2.16	1.96	1.96	2.12
Mo. Pac.....	1.09	1.72	2.28	2.29
T. & P.....	2.05	2.52	2.59	2.35
St. L., I. M. & S.....	1.44	2.09	2.50	2.37
I. & G. N.....	2.35	2.89	2.28	2.45
A., T. & S. F.....	2.67	2.72	2.80	2.69
G., C. & S. F.....	2.16	1.49	2.36	2.60
C., R. I. & P.....	1.56	2.07	2.41	1.84
C., R. I. & T.....			2.23	1.68

NOTE.—Wherever blanks appear the reports fail to show the item.

For the fiscal years ending June 30, 1888, 1892, 1894, 1902, and 1903, the percentages of the total compensation paid to employees to the gross earnings were as follows:

	1888.	1892.	1894.	1902.	1903.
M., K. & T.....		41.7	41.3	38.9	40.7
St. L. S. W.....		45.3	46.0	47.1	51.4
St. L. & S. F.....	34.1	34.3	37.1	40.8	41.4
Mo. Pac.....		44.4	45.4	43.2	43.9
T. & P.....	48.2	43.0	41.6	40.0	46.2
St. L., I. M. & S.....		41.6	39.1	39.9	41.8
I. & G. N.....	54.5	52.7	51.4	37.7	40.7
A., T. & S. F.....		45.1	47.3	32.3	39.7
G., C. & S. F.....	58.2	55.8	50.1	38.6	43.8
C., R. I. & P.....	37.5	39.8	38.7	33.0	36.6
C., R. I. & T.....			38.6	32.2	33.8

NOTE.—These percentages of total labor cost are made much higher than they would be were it not true that large items of labor cost were incurred in improvements, betterments, etc; for example, the St. Louis and Southwestern. (See quotations, p. —, this brief.)

The deductions to be drawn from the foregoing tables are that the average price paid to employees for labor was greater in 1903 than in former years, as a general proposition, while the percentage of total labor cost to gross earnings was not on the average greater than in 1892 or 1894. There was a decrease in the wages paid to general office clerks, other station men, switchmen, flagmen, and watchmen. In other lines of employment there was an increase in wages, the most material of which were those paid to general officers, machinists, enginemen, and trainmen.

For the purpose of showing the relation between the total cost of labor and the tonnage handled by that labor, the following tables are introduced, computed from figures furnished by the annual reports of the three respondents, Texas and Pacific Railway Company; St. Louis, Iron Mountain and Southern Railway Company, and the Missouri, Kansas and Texas Railway Company:

TABLE No. 3.—Average number of tons carried 1 mile per day's work performed by railway employees (excluding general officers), and average daily compensation for years named ending June 30.

	Based on total number of days worked (excluding general officers).		Based on days worked, assigned to conducting transportation.	
	Ton-miles per day's work.	Average daily compensation.	Ton-miles per day's work.	Average daily compensation.
<b>Texas and Pacific Rwy.:</b>				
1892 .....	279	\$2.11	710	\$2.73
1896 .....	312	2.06	828	2.57
1902 .....	336	1.90	1,163	2.94
1903 .....	306	1.91	876	2.37
<b>St. Louis, Iron Mountain and Southern Rwy.:</b>				
1892 .....	324	1.85	838	2.29
1896 .....	401	1.86	901	2.17
1902 .....	492	1.92	1,187	2.21
1903 .....	516	1.97	1,271	2.26
<b>Missouri, Kansas and Texas Rwy.:</b>				
1892 .....	319	1.91	729	2.25
1896 .....	388	2.07	917	2.37
1902 .....	484	2.17	1,147	2.49
1903 .....	441	2.20	1,072	2.57

TABLE No. 4.—Average number of tons carried one mile per dollar of compensation paid to railway employees (excluding general officers), and average daily compensation for years named ending June 30.

	Based on total compensation (excluding general officers).		Based on compensation assigned to conducting transportation.	
	Ton-miles per dollar.	Average daily compensation.	Ton-miles per dollar.	Average daily compensation.
<b>Texas and Pacific Rwy.:</b>				
1892 .....	132	\$2.11	260	\$2.73
1896 .....	152	2.06	322	2.57
1902 .....	176	1.90	395	2.94
1903 .....	160	1.91	370	2.37
<b>St. Louis, Iron Mountain and Southern Rwy.:</b>				
1892 .....	174	1.85	367	2.29
1896 .....	215	1.86	415	2.17
1902 .....	256	1.92	537	2.21
1903 .....	262	1.97	563	2.26
<b>Missouri, Kansas and Texas Rwy.:</b>				
1892 .....	167	1.91	324	2.25
1896 .....	187	2.07	387	2.37
1902 .....	222	2.17	461	2.49
1903 .....	201	2.20	416	2.57

From these tables it can be seen at a glance that any increase in price of labor was more than offset by what that labor earned by the service which it performed.

It should also be borne in mind that even the total cost of labor employed in conducting transportation as well as in other departments was much increased by making improvements.

These tables can be readily studied without explanation further than to call attention to the headlines. To illustrate from the first table: In 1892 a day's work, which on the Texas and Pacific Railway cost an average of \$2.11, represented the movement of 279 tons of freight 1 mile, while in 1903 a day's work, which cost that road an average of \$1.91, represented the movement of 306 tons of freight 1 mile. The

St. Louis, Iron Mountain and Southern Railway in 1892 moved 838 tons 1 mile for a day's labor charged to conducting transportation, costing \$2.29, and in 1903 the same road moved 1,271 tons 1 mile for one day's labor, in the same service, costing \$2.26.

The second table shows the tonnage carried 1 mile for one dollar's worth of labor under the same two heads.

The conclusion to be drawn as a whole is that the increase in price of labor does not justify the advances in the rates.

II. *Cost and comparative cost of materials and supplies.*—Many of the witnesses who testified in this case stated, in very general language, that materials and supplies had increased in price, and that wages had increased in price, sometimes giving their opinion of what per cent of increase had taken place. But that evidence is of little value, for the reason that it is not the best evidence.

Mr. McBride, first vice-president and general manager of the American Car and Foundry Company; Mr. Nixon, purchasing agent of the Missouri Pacific System, and who also acts in a similar capacity for the other Gould lines; Mr. Spoor, the tie and timber agent of the Missouri Pacific System, and Mr. Thompson, the engineer of the railroad commission of Texas, gave definite and exact testimony, in view of which the mere expressions of opinion of witnesses should be discarded.

The material testimony of Mr. McBride concerning comparative cost of cars and the materials that enter into their construction was, in substance, as follows:

During twelve months immediately previous to July, 1903, prices were higher than at any time for several years back of that. People who have the money to pay can buy car wheels now for 15 per cent less than they could last July. The price of pig iron at Pittsburg is now 33½ per cent below the highest point of 1903; during the previous five years the price advanced almost 10 per cent a year. That reflects the advances in price of all iron-manufactured large articles except, perhaps, structural steel and shapes, the prices of which are controlled very largely by the United States Steel Corporation. If I am not mistaken the steel corporation did not allow these prices to go up in 1902 and 1903, and are not allowing them to go down now. Pine lumber is lower now than one, two, or three years ago, but has not varied 10 per cent. It would cost about the same to construct a car now as it did ten years ago; that is, the same kind of a car.

The prices of some classes of lumber are somewhat higher than ten years ago, but we might get other materials for less. If you take the early part of 1903 and make a comparison with 1890, I do not think there would be much difference in conditions. Cars built now cost more than those built formerly, but they are of greater capacity and have been improved so that they probably last longer. We have doubled the capacity of the cars without adding to their weight more than 75 per cent. Coal cars constructed of wood and steel would sell now 15 to 20 per cent lower than they sold one year ago. I should say the life of the cars built to-day ought to be 50 per cent greater than those we built ten years ago. (Testimony, pp. 504 to 537.)

Testimony of Mr. Thompson concerning prices of supplies and materials used by railroad companies was as follows:

Have been chief engineer since November, 1897; prior to that for about five months I was assistant engineer. My duties have been to value railroads. In 1894 the market price of steel rails was \$24 a ton, and for the last three or four years it has been \$23. (Testimony, pp. 554 and 555.) Standard hard lumber has remained about the same for a number of years; perhaps a dollar and a half increase. Ties were quoted in July, 1899, at \$10 a thousand; March 21, 1901, at \$11, and I understand that some railroads are getting ties now, where they place large orders in Texas, at \$10 and \$10.50. The range has been very limited on that class of stuff and small timbers, but the price has very materially increased on all large timbers. Stringers 8 by 16 by 28 were quoted at \$16 in 1899 and at \$18 in 1901, and I have quotations that indicate that they are selling for \$21 now. Caps 12 by 12 by 14 were quoted at \$10 in 1899 and at \$13 in 1901, and are now quoted at \$14. (Testimony, pp. 638 to 641, inclusive.)

Mr. Thompson also stated that when the railroads of Texas were valued in 1894 and 1895 allowances per yard for excavation were made as follows: Earth, 13 cents; loose rock, 40 cents, and solid rock, \$1; that contracts ranging from 12 to 15 cents for earth, 33 to 36 cents for loose rock, and 65 to 75 cents for solid rock are now being made, but that 15 cents is now allowed by the Texas commission for earth excavation. (Testimony, pp. 561, 573, and 636.)

Testimony of Mr. Nixon, purchasing agent of the Missouri Pacific system, was as follows:

The Eureka spring frog is the principal frog we purchase, and its price, which is regulated by the price of steel rails, has remained about the same for probably four years. The price of switches has increased in the last three or four years. If my recollection is correct, they were higher in 1903 than in 1901. In the market to-day they are lower than they were last year. Would say price of stiff frogs would be about the same to-day as in 1902, because price of steel rails has remained stationary. Axles were \$2 a hundred pounds in 1901, \$2.15 in 1903, and are \$1.75 to-day. Anglebars were \$1.45 per hundred pounds in 1901, \$1.75 in 1903, and I presume they could be purchased to-day for \$1.40 to \$1.50. Track bolts were \$1.85 per hundred pounds in 1901, \$2.55 in 1903, and are \$2.30 to-day.

The price of air brakes is the same now as in 1903, but less than in 1900. The price per set for freight cars is about \$25.25 to-day. In the kinds of brake shoes we use I do not believe there has been any change in price for three years. They are a patented article. Malleable castings were \$2.32 per hundred pounds in 1901, \$3.25 in 1903, and are about \$2.75 to-day. Domestic Portland cement was \$2 a barrel at St. Louis in 1903, and is probably worth \$1.25 to-day. Steel couplers for freight cars, the kind we use, were \$14.50 per pair in 1900, 1901, 1902, and 1904. They were \$15 in 1903. We have been paying the same price for air-brake hose during the last four years.

Merchant bar iron was \$1.55 in 1901, \$1.62 in 1903, and is probably \$1.35 at St. Louis now. Iron stay bolts have cost us about the same for the last three or four years. Taylor's English iron stay bolts have been the same price as long as I can remember. Cut nails were \$2.25 per keg in 1901, \$2.40 in 1903, and are probably \$2.20 to-day. Pressed square nuts were \$2.70 in 1901 per hundred pounds, \$3.10 in 1903, and about \$1.75 to-day. Our contract price for driving springs for locomotives was 6½ cents per pound in 1901 and 7½ for this year and 1903. Lubricating oils nearly everywhere in this country are controlled by the Standard Oil Company, and the prices have been about the same right along. Prices of coal oil and headlight oil are about the same now as last year and the year before.

There has been a slight reduction in freight-car paint; it is 75 cents now, and we paid from 75 to 85 last year. Boiled linseed oil is 37 cents per gallon now, but it fluctuates from month to month; it has been as high as 75 cents, and last year it was as low as 32 cents. Gas pipe is wrought-iron pipe or steel; the price is slightly lower than last year; it naturally follows iron and steel products. Vitrified socket sewer pipe is probably 20 to 25 per cent higher than last year. For galvanized-iron car roofs we are paying the same as last year and the year before. Manila rope is probably slightly reduced from the early part of last year. There has been a slight reduction in screws and rivets.

The prices of general track tools are about 5 per cent less than last year; prices of shovels and scoops are about the same as last year. There has not been very much variation in the prices of structural material for two or three years. In 1901 and 1903 the price of tank steel, which is the ordinary steel plate, was \$1.80 per hundred weight; to-day it is \$1.75. Fire-box steel was 3 cents per pound in 1901 and 1903, and is about the same price now for the kind we use, which is a high grade. Boiler plates were \$2.70 per hundred pounds in 1901 and 1903, and are about the same to-day. My recollection is that we paid the same price for tie plates in 1902 and 1903; there is probably a slight reduction to-day, because all iron and steel products have declined to some extent.

There has been very little variation in the price of roofing tin and bright tin. There is a decrease in driving-wheel tires from the price of 1902 and 1903. Boiler tubes were 17 cents per foot in 1901 and 1903; to-day they are 16. There has been no change in the price of car furniture or engine furniture. Washers are somewhat lower than last year. Waste has advanced in price because of the advance in cotton; we are paying now, under contract, 4½ cents per pound, but will probably pay 4¼ when the contract expires. There has been very little change in the price of wheelbarrows. There has been very little change in the price of wire used for fencing.

The high-grade poplar lumber we use for passenger-car work was \$40 per thousand in 1901, \$60 in 1903, and is \$57.50 to-day. High-grade white pine was \$37 in 1901, \$45 in 1903, and to-day we would probably pay \$43 or \$44.

The price of steel rails is still \$28; there has been no reduction in the last three or four years. I act as purchasing agent for the International and Great Northern, and for the St. Louis Southwestern and Texas and Pacific to some extent. The Iron Mountain is a part of the Missouri Pacific system. Prices of office furniture supplies were very high in 1903—probably 30 or 40 per cent—and are about the same now so far as I know. The list I have gone over practically covers all materials and supplies. (Testimony, pp. 11 to 71, inclusive.)

Mr. Spoor's testimony was as follows:

Have been tie and timber agent for the Missouri Pacific System about thirteen years. The tie timber is all white oak. On the Missouri Pacific proper we pay 41½ cents for first-class ties and 21½ cents for culls. We do not purchase to exceed 10 per cent of culls, and use them principally for sidetracks. In 1901, 1902, and 1903 we paid 39½ cents and 16½ cents for the same grades. For oak ties on the Iron Mountain we pay 39½ and 20½, as compared with 27½ and 12½ for the years 1901, 1902, and 1903. (Compare this with Missouri Pacific annual reports.) These advances are caused by the scarcity of tie timber. The average haul from the timber lands to the railroad increases each year. The prices of white-oak piling vary from 9 to 15 cents per linear foot, depending upon the length. Last year we paid from 7 to 13 and the year before from 6½ to 12. Our bridge timber is all longleaf pine. We pay \$17 a thousand now for such stringers as we bought in 1901 for \$15. (Testimony, pp. 277 to 291, inclusive.)

Mr. Green testified as follows:

Am first vice-president and general superintendent of the St. Louis Southwestern. My jurisdiction as general superintendent extends over the entire line from Grays Point and Birds Point to the end of the line in Texas. Have held that position two years. The bulk of our coal comes from the Lehigh mines, on the Missouri, Kansas and Texas, in Indian Territory, and is delivered to us in Texas at Sherman, Waco, and Hilleboro. We pay f. o. b. Sherman \$2.40 per ton. In 1901 we paid \$1.90. Last year, I think, we had two 20-cent raises and one 10-cent raise in the price of coal in Texas. Outside of Texas, in Arkansas and Missouri, we get our coal from the southern Illinois mines, and the price, compared with previous years, has advanced 17 per cent. (Testimony, pp. 296, 297, 303, 304, and 314.)

Since 1898 we have increased the cost of our ties 12 per cent. Formerly we were able to get upland oak that would last six or seven years; now we get comparatively none of that, and the white oak we buy has an average life of four and one-half or five years. In 1898 we paid \$14 a thousand for stringers; to-day we pay \$18.50 at the mills. We paid for ties and guard rails 9 and 9½; to-day we are paying 12½ and 13. We paid for caps \$11, and now we pay \$14.50. We paid for piling 5½ and 7 cents a foot; now we are paying 11 to 13½. (Testimony, pp. 321 and 322.) The old wrought-iron drawbar would cost, I think, about \$2.50, and the automatic couplers cost now about \$7.50, or \$15 a car. To equip a car with air costs \$40. (Testimony, p. 335.)

Mr. Green's testimony concerning prices of coal appears to be somewhat modified by "Exhibit No. 2 to Mr. Kimbell's testimony." Mr. Kimbell is assistant general auditor of the St. Louis Southwestern. The exhibit referred to shows average prices paid for coal by the St. Louis Southwestern, including the lines in Texas, to be as follows: 1899, \$1.73 per ton; 1900, \$1.77; 1901, \$1.87; 1902, \$1.94, and 1903, \$2. The price for 1904 is not shown.

Prices per ton paid by the International and Great Northern Company for locomotive coal are shown by that company's "Exhibit A," and are as follows: 1897, \$2.72; 1898, \$2.41; 1899, \$2.49; 1900, \$2.41; 1901, \$2.66, and 1902, \$2.79.

This company is now using oil on a large part of its line.

Prices per net ton paid for coal by the Texas and Pacific Company are shown by that company's written statement "1," as follows: 1892, \$2.57; 1896, \$2.34; 1902, \$2.25, and 1903, \$2.25.

*Average prices paid for fuel by the Gulf, Colorado and Santa Fe Company are shown by that company's "Exhibit A," and are as fol-*

lows: 1892, \$3.43; 1896, \$3.09; 1902, \$2.57, and 1903, \$2.01. Other prices named in the same exhibit are: Ties, 1892, \$0.434; 1896, \$0.325; 1902, \$0.398, and 1903, \$0.443. Rails, 1892, \$41.19; 1896, \$30.28; 1902, \$30.81, and 1903, \$31.53.

The different respondents were requested to file statements showing prices of supplies and materials according to actual purchases made in 1892, 1896, 1902, and 1903. Some of them complied with this request, but others replied that they were unable to do so. In the statements filed very few comparisons are made between 1892 and 1903, except in case of the International and Great Northern Company. We invite the particular attention of the Commission to that company's Exhibit A, which appears to be quite full and complete. In many cases no difference in price is shown, but there are 175 instances where such a difference exists. In 86 cases the price is higher and in 89 cases lower in 1903 than in 1892.

Beginning with January 1, 1900, there was a gradual increase in the prices of supplies and materials until July 1, 1903, but since the latter date there has been a substantial decrease. Comparing the first half of the year 1903 with a period of time just previous to the depression of 1893, prices of supplies and materials averaged substantially the same. Mr. McBride, a man of very wide experience in such matters and who exhibited both intelligence and impartiality, said, in speaking of prices, that if the year 1890 were compared with the early part of the year 1903 he believed not much difference would be discovered. Some kinds of lumber, such as stringers and caps and high-grade lumber used in the construction of passenger cars, have advanced in price; but, on the other hand, there has been a decrease in the price of steel rails and a large number of other articles closely related thereto. Although coal has advanced in price somewhat during the last two or three years, the price is less now, according to statements made by respondents, than it was in 1892.

Much data have been furnished by respondents concerning prices, at different periods, of locomotives and cars, but the data are wholly worthless for the purposes of comparison. Respondents show that locomotives and cars purchased now cost much more than those purchased formerly, but this is because of improvements in construction, which have added greatly to the capacity and durability. Mr. McBride tells us a car of the same kind can be built as cheaply now as it was ten years ago. If respondents are building more expensive cars now, it is presumably because they consider it economy to do so.

Cross-ties have increased in price and value to some extent for certain classes of ties, but not to as great extent as some of the witnesses claim, if we are to believe the statements contained in the Missouri Pacific printed annual reports. For calendar year 1901 (at p. 37) ties in Iron Mountain road cost in the track 35 cents (see the printed reports), while for 1897 (p. 31), 32 cents.

The item of coal is an important one and the item of freight upon it is important. The comparative cost of coal to any company or system of road is, hence, affected by freight rates included in the cost. The following table taken from the printed annual report of the Missouri Pacific Railway system for 1897 (at page 36) is interesting:

Average cost of coal per ton, excluding company freight .....	\$1.2386
Average cost of coal per ton, including company freight .....	1.2802
Average cost of coal per ton, including freight and handling .....	1.3801
Amount of company freight included in cost of coal purchased .....	41,511.58



# 84 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

The reduction in average cost per ton of coal purchased for the company's use during a period of fifteen years ending December 31, 1897, is shown in the following table:

Year.	Cost per ton.	Year.	Cost per ton.
1883 .....	\$1.799	1891 .....	\$1.289
1884 .....	1.773	1892 .....	1.273
1885 .....	1.74	1893 .....	1.26
1886 .....	1.519	1894 .....	1.287
1887 .....	1.435	1895 .....	1.228
1888 .....	1.341	1896 .....	1.204
1889 .....	1.392	1897 .....	1.239
1890 .....	1.344		

For 1902 coal cost, average for the Missouri-Pacific system, exclusive of company freight, \$1.40.70 per ton.

Cost of coal to Texas and Pacific Railway Company, including cost of handling, from 1894 to 1903, as shown in printed report for 1903 (p. 33) as follows:

## Coal consumed.

Year.	Tons consumed.	Cost per ton including handling.	Total.	Tons of freight handled 1 mile.
1894 .....	266,331	\$2.50	\$665,036.40	435,438,518
1895 .....	271,584	2.36	641,174.83	443,488,440
1896 .....	258,681	2.34	607,072.62	414,477,264
1897 .....	308,478	2.30	710,150.65	548,323,830
1898 .....	322,109	2.25	724,919.14	512,005,537
1899 .....	340,476	2.23	758,128.98	562,534,762
1900 .....	402,049	2.23	898,480.37	670,117,052
1901 .....	511,639	2.29	1,175,179.71	882,755,595
1902 .....	485,646	2.25	1,092,876.03	738,442,848
1903 .....	525,972	2.45	1,293,498.84	836,682,262

The following table, No. 5, shows the economy in use of fuel which has resulted from improvements in roadway and equipment:

TABLE No. 5.—Average number of tons of freight carried 1 mile per ton of fuel consumed by freight locomotives.

TEXAS AND PACIFIC RAILWAY.		Ton-miles.
1892 .....		2,137
1896 .....		2,622
1902 .....		2,623
1903 .....		2,755

ST. LOUIS, IRON MOUNTAIN AND SOUTHERN RAILWAY.		Ton-miles.
1892 .....		3,824
1896 .....		4,054
1902 .....		3,707
1903 .....		3,978

MISSOURI, KANSAS AND TEXAS RAILWAY.		Ton-miles.
1892 .....		2,220
1896 .....		2,394
1902 .....		2,488
1903 .....		2,568

We have thus set forth at length the testimony as to the range in prices of materials and supplies because it can not be tabulated for want of definite figures. Even if we had definite figures as to prices, the amount of the various materials and supplies required would have to be ascertained before it could be determined to what extent operating expenses were increased or diminished by the advances and reductions of the prices.

*Summary as to some principal items of materials and supplies.*—Iron articles of all sorts declined 33 per cent from the highest price of 1903.

Pine lumber, except heavy timber, shows no increase.

Oak and poplar lumber and timbers decidedly increased.

Steel rails, structural steel, and trust articles remained steady for four years.

Cement declined.

Oils remained steady.

Excavations—earth, no decrease—possibly increase.

Excavations—rock, declined.

Coal increased to most companies over 1901 and 1902, decline from 1892.

Cars increased in price, but appears offset by quality and size.

Locomotives, not shown to be more expensive when considering their power and durability.

On the whole, it is not shown that the cost of operation had been so materially increased by such increases as there were in price of supplies and material as to justify the advance in the rates.

III. *The financial condition, expenditures, operating expenses, net earnings, and various other matters pertaining to the operation of the respondents' lines of railway.*—Improvements in condition of properties of all of the lines in question have been very great during the past four years. This is established by several witnesses and is set forth in detail in the printed annual reports of the respondents and in their reports to the Commission, and the economy of these improvements is reflected in the ability of the roads to handle a greater tonnage at a less cost. As a matter of course, during the time these lines are undergoing the improvements in roadway and bridges, etc., there is a necessarily increased cost of operation, arising from various sources. Work-train mileage is increased; consumption of fuel is increased; repairs and maintenance of equipment are increased; general expenses are increased; heavier tonnage of company freight is increased; the total cost of labor is greatly increased. And all of these increased expenses occur regardless of whether the cost of these improvements, betterments, and additions are charged to operating expenses, to capital, or to income account. This can be easily shown from various comparisons in the accounts showing operation in detail, but we consider it so evidently true that we will not take up space to do so.

The net income from operation and the per cent it bears to the value of the respondents' lines of railway is the most material matter for consideration, yet it was not taken into consideration in increasing the rates. All of the witnesses agree that in all of the discussions relating to the matter of increasing these rates the sole matter which prompted them was that operating expenses were increasing because of increased cost of labor, materials, and supplies, and that the roads needed more money to meet them. Now, this was the position of the roads which were earning the most, as well as those earning the least. The net earnings show more than a fair earning upon the value of the property

of respondents as a whole, and to each of them in particular. Not, indeed, the net earnings reported in all cases, but the real net earnings, had only real operating expenses and not the cost of betterments been deducted from the gross earnings.

In order to show the financial condition, value, and the earnings and expenditures, etc., of the respondents' lines of railway, we insert here a table which is largely self-explanatory.

TABLE No. 6.—*Comparative table, showing mileage, capitalization, estimated value, earnings, and expenses per mile of line of respondents for the years 1892, 1901, 1902, and 1903, ending June 30, taken from annual reports to the Interstate Commerce Commission, except estimated valuation, which is based on valuation of railroad commission of Texas, and additional improvements shown by the testimony of Mr. Thompson, engineer of Texas commission.*

Name of road.	Mileage.			Capitalization.		
	Owued.	Leased.	Total mileage operated.	Funded debt per mile of line.	Capital stock per mile of line.	Total per mile of line.
Missouri, Kansas and Texas Rwy.:						
1892.....	<sup>a</sup> 1,523	201	1,670	\$41,073	\$40,567	\$81,640
1901.....	2,233	247	2,480	34,172	32,137	66,309
1902.....	2,277	278	2,555	34,540	31,875	66,415
1903.....	2,308	405	2,713	34,343	31,507	65,850
St. Louis and Southwestern Rwy.:						
1892.....	581	-----	581	48,575	62,736	111,311
1901.....	<sup>b</sup> 618	16	628	52,992	62,639	115,631
1902.....	<sup>b</sup> 618	16	628	<sup>c</sup> 37,324	62,639	99,963
1903.....	<sup>b</sup> 618	16	628	<sup>c</sup> 39,526	59,109	98,635
St. Louis and San Francisco Rwy.:						
1892.....	592	336	1,328	40,951	26,560	<sup>d</sup> 67,510
1901.....	1,592	116	1,708	27,278	29,344	<sup>e</sup> 56,617
1902.....	1,592	1,303	2,895	37,987	31,412	69,399
1903.....	2,361	1,008	3,369	33,600	21,176	54,776
Missouri Pacific Rwy.:						
1892.....	1,060	2,154	3,214	48,462	44,746	93,208
1901.....	1,061	2,319	3,380	50,926	62,758	113,684
1902.....	1,110	2,355	3,465	48,670	68,846	117,516
1903.....	1,134	2,354	3,488	52,755	68,600	121,355
St. Louis, Iron Mountain and Southern Rwy.:						
1892.....	1,237	583	1,770	33,253	20,852	54,105
1901.....	1,429	472	1,901	47,832	18,063	65,885
1902.....	1,429	345	1,774	49,425	18,053	67,478
1903.....	1,470	345	1,815	59,801	17,542	77,343
Texas and Pacific Rwy.:						
1892.....	1,388	111	1,499	39,178	27,884	67,062
1901.....	1,572	93	1,665	35,506	24,636	60,162
1902.....	1,615	93	1,708	35,391	24,006	59,397
1903.....	1,612	92	1,704	36,291	24,049	60,340
International and Great Northern R. R.:						
1892.....	775	-----	775	19,355	12,581	31,936
1901.....	838	48	886	24,737	11,649	36,386
1902.....	957	50	1,007	23,168	10,197	33,365
1903.....	1,051	54	1,105	23,431	9,281	32,712
Gulf, Colorado and Santa Fe Rwy.:						
1892.....	1,058	-----	1,058	20,000	4,310	24,310
1901.....	1,089	39	1,128	19,566	4,187	23,753
1902.....	1,139	39	1,178	18,707	4,003	22,710
1903.....	1,140	63	1,203	18,687	3,999	22,686
Chicago, Rock Island and Pacific Rwy.:						
1892.....	2,744	730	3,474	19,546	16,822	36,368
1901.....	3,128	691	3,819	21,330	15,986	37,316
1902.....	3,219	755	3,974	21,969	18,636	40,605
1903.....	3,245	2,334	5,579	22,104	23,059	45,163
Atchison, Topeka and Santa Fe Rwy.:						
1892.....	-----	-----	-----	-----	-----	-----
1901.....	4,755	63	4,818	25,684	30,107	<sup>f</sup> 55,791
1902.....	4,670	174	4,844	29,248	29,849	<sup>f</sup> 59,097
1903.....	<sup>g</sup> 4,668	211	4,871	28,818	29,011	<sup>f</sup> 57,829

<sup>a</sup> Includes 54 miles not operated.

<sup>b</sup> Includes 6 miles not operated.

<sup>c</sup> Basis includes mileage of St. Louis Southwestern Railway Company of Texas.

<sup>d</sup> Basis includes 53 miles of proprietary companies.

<sup>e</sup> Basis includes 112 miles of proprietary companies.

<sup>f</sup> The capital stock and funded debt includes issues for the acquisition, by purchase or exchange, of the stocks and bonds of other roads forming part of the system, and the apportionment per mile is made on that basis.

<sup>g</sup> Includes 8 miles not operated.

TABLE No. 6.—Comparative table showing mileage, capitalization, estimated value, earnings, and expenses per mile of line of respondents, etc.—Continued.

Name of road.	Gross earnings per mile of line.	Operating expenses per mile of line.	Net earnings per mile of line.	Per cent of operating expenses to gross earnings.	Estimated valuation per mile of line.	Per cent of net income to estimated valuation per mile of line.	Permanent improvements charged to operation, as reported to Commission.
Missouri, Kansas and Texas Rwy.:							
1892.....	\$5,656	\$4,078	\$1,578	72.10	\$16,037	9.8	.....
1901.....	6,808	4,931	1,877	72.43	19,037	9.8	\$1,159,043
1902.....	6,562	4,762	1,800	72.57	19,037	9.4	585,059
1903.....	6,616	4,661	1,955	70.44	19,037	10.2	757,727
St. Louis and Southwestern Rwy.:							
1892.....	5,249	3,755	1,494	71.54	15,414	9.6	.....
1901.....	6,897	3,953	2,944	57.31	16,788	17.5	.....
1902.....	7,029	4,451	2,578	63.32	17,329	14.8	.....
1903.....	7,187	4,423	2,764	61.53	18,101	15.2	.....
St. Louis and San Francisco Rwy.:							
1892.....	5,310	3,125	2,185	58.85	17,844	12.2	.....
1901.....	5,958	3,467	2,491	58.19	21,140	11.7	.....
1902.....	6,791	4,243	2,548	62.48	21,140	12.0	.....
1903.....	6,681	4,325	2,356	64.73	21,140	11.1	.....
Missouri Pacific Rwy.:							
1892.....	4,381	3,191	1,190	72.83	.....	.....	256,785
1901.....	5,044	3,392	1,652	67.26	.....	.....	198,184
1902.....	5,232	3,693	1,539	70.58	.....	.....	99,869
1903.....	5,637	3,845	1,792	68.21	.....	.....	.....
St. Louis, Iron Mountain and Southern Rwy.:							
1892.....	6,568	4,585	1,973	69.90	.....	.....	194,526
1901.....	8,604	4,885	3,719	56.78	.....	.....	.....
1902.....	9,751	5,937	3,814	60.90	.....	.....	116
1903.....	10,269	6,417	3,852	62.49	.....	.....	.....
Texas and Pacific Rwy.:							
1892.....	4,744	3,851	893	81.19	17,060	5.2	379,525
1901.....	7,099	4,505	2,594	63.45	18,858	13.7	160,064
1902.....	6,733	4,814	1,919	71.49	19,966	9.6	77,807
1903.....	6,622	4,611	2,011	69.64	21,668	9.2	.....
International and Great Northern Rwy.:							
1892.....	4,602	3,851	751	83.68	18,080	4.1	302,086
1901.....	5,928	4,306	1,622	72.64	23,000	7.0	.....
1902.....	5,355	3,994	1,361	74.58	23,000	5.9	.....
1903.....	5,286	3,997	1,289	75.62	23,000	5.6	.....
Gulf, Colorado and Santa Fe Rwy.:							
1892.....	4,783	4,513	270	94.36	17,140	1.5	.....
1901.....	6,374	4,398	1,976	69.01	21,733	9.0	.....
1902.....	6,186	4,598	1,588	74.33	22,406	7.0	.....
1903.....	6,702	5,524	1,178	82.42	22,828	5.1	.....
Chicago, Rock Island and Pacific Rwy.:							
1892.....	5,497	3,727	1,770	67.81	.....	.....	.....
1901.....	6,912	4,532	2,380	65.56	.....	.....	.....
1902.....	7,292	4,530	2,762	62.12	.....	.....	.....
1903.....	6,601	4,190	2,411	63.48	.....	.....	.....
Atchison, Topeka and Santa Fe Rwy.:							
1892.....	.....	.....	.....	.....	.....	.....	.....
1901.....	7,341	4,138	3,203	56.36	.....	.....	.....
1902.....	7,784	4,159	3,625	53.43	.....	.....	.....
1903.....	7,930	4,615	3,315	58.19	.....	.....	.....

<sup>a</sup> Based on a total including a special betterment fund of \$900,000

TABLE No. 6.—Comparative table showing mileage, capitalization, estimated value, earnings, and expenses per mile of line of respondents, etc.—Continued.

Name of road.	Perma- nent im- prove- ments charged to in- come, as reported to Com- mission.	Mainte- nance of way and struc- tures per mile of line.	Mainte- nance of equip- ment per mile of line.	Total per mile of line.	Conduct- ing trans- portation per mile of line.	General expenses per mile of line.
Missouri, Kansas, and Texas Rwy.:						
1892		\$978	\$391	\$1,369	\$2,122	\$587
1901		1,243	601	1,844	2,767	320
1902		1,058	599	1,657	2,794	311
1903		1,069	635	1,704	2,658	299
St. Louis and Southwestern Rwy.:						
1892		1,021	500	1,521	1,716	518
1901	\$230,134	685	579	1,264	2,252	437
1902	188,199	980	742	1,722	2,367	362
1903	539,276	1,007	702	1,709	2,228	486
St. Louis and San Francisco Rwy.:						
1892		562	529	1,091	1,578	456
1901	180,557	771	561	1,332	1,958	177
1902		938	690	1,628	2,421	194
1903		922	715	1,637	2,471	217
Missouri Pacific Rwy.:						
1892		756	547	1,303	1,662	226
1901		863	622	1,485	1,793	114
1902	828,390	905	700	1,605	1,980	108
1903	1,457,097	876	720	1,596	2,134	115
St. Louis, Iron Mountain and Southern Rwy.:						
1892		1,127	766	1,893	2,373	319
1901		834	826	1,660	3,050	175
1902	780,267	1,201	911	2,112	3,615	210
1903	1,140,426	1,247	1,032	2,279	3,902	236
Texas and Pacific Rwy.:						
1892		965	510	1,475	2,093	283
1901	533,450	1,004	758	1,762	2,553	190
1902	1,494,573	1,116	897	2,013	2,595	206
1903	2,877,797	948	880	1,828	2,580	203
International and Great Northern Rwy.:						
1892		1,258	559	1,817	1,793	241
1901		1,175	634	1,809	2,313	184
1902	149,061	1,041	605	1,646	2,153	195
1903	11,433	967	670	1,637	2,175	185
Gulf, Colorado and Santa Fe Rwy.:						
1892		833	695	1,528	2,686	299
1901		1,031	750	1,781	2,397	220
1902		964	870	1,834	2,559	205
1903		1,505	1,163	2,668	2,631	225
Chicago, Rock Island and Pacific Rwy.:						
1892		861	559	1,420	1,885	422
1901		1,275	806	2,081	2,282	169
1902		1,185	680	1,865	2,497	168
1903		923	626	1,549	2,459	182
Atchison, Topeka and Santa Fe Rwy.:						
1892						
1901		793	796	1,589	2,198	164
1902		729	961	1,710	2,268	181
1903		1,127	985	2,112	2,320	183

From this table it appears that net earnings have been increasing for twelve years; that, based upon the value of respondents' lines of railway, so far as ascertainable, they have earned a fair per cent on the cost of the property at all times, and a large per cent in recent years; and it is clear that even if 50 per cent be added to the valuation, to cover so-called intangible value, still the per cent of net earnings to the value is greater than the per cent which can be obtained from other property offering safe investment.

There are two systems of railways leading out from St. Louis which serve the most important commercial points in Texas, viz, the St. Louis, Iron Mountain and Southern in connection with the Texas and Pacific Railway and International and Great Northern Railway, which

through Texarkana gateway reaches to the West via two parallel lines through northern Texas, and via the International and Great Northern lines from Longview to the Gulf, and to the Southwest via Austin and San Antonio to Laredo, on the Rio Grande; and the Missouri, Kansas and Texas System, which through the Denison gateway reaches by its lines via Greenville to Shreveport, La., and, by north and south lines, the large commercial points in northern Texas, central Texas, and southern and southwestern Texas, including Gulf ports.

With a very few exceptions all commercial centers in Texas common-point territory are served directly by one or the other of these lines, and the most important points are reached by both systems. Whatever one of the systems sees fit to do with respect to the rates or service, the other must do or go out of the business. So, likewise, whatever either of them does all other lines must do. Furthermore, if a given rate is reasonable and enforceable on one of the systems, all other railways participating in the traffic out of St. Louis must conform to that rate or go out of the business. Each of these systems of railway has been serving the same territory substantially for many years, with slight additional mileage used in the Texas traffic. We therefore consider the evidence more particularly as applied to these lines.

The other lines reaching Texas from St. Louis which carry any volume of this traffic worth speaking of are the St. Louis and San Francisco Railway Company, entering Texas via Paris and Denison gateways, and the St. Louis and Southwestern Railway through Texarkana. As to the former there have been so many changes by new mileage, arising from acquisition of constructed line, both old and new, and by building connecting lines, etc., that it seems very difficult at this time to show by comparison or otherwise what rates it may be entitled to make. Previous to three years ago it had but 16 miles of road in Texas, and that was the terminus of its road from Red River to Paris.

The St. Louis Southwestern of Texas is owned by the St. Louis Southwestern through the ownership of its stock, etc. The Missouri Pacific does not engage in the traffic except the Iron Mountain, hence but little need be said as to it except what is said as to the Iron Mountain. The Santa Fe and Rock Island can only haul the traffic via a long route, except such as they receive from the above systems at junction points.

Before proceeding to a review of the evidence relating to each of the roads we call attention to Table No. 7, which we here insert, and which is intended to show the comparative economies introduced into the business of handling freight.

# 90 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

TABLE No. 7.—*Showing volume and density of traffic, economies in car and train loading for the years ending June 30, 1892, 1896, 1900, 1901, 1902, and 1903, for all of the respondents.*

Name of road.	Number tons carried 1 mile per mile of road.	Number tons per train mile.	Number tons per loaded car mile.	Average distance haul of 1 ton.	Per cent of empty to total car mileage.	Passenger car mileage per mile of line. <sup>a</sup>	Passenger train mileage per mile of line.
Missouri, Kansas and Texas Rwy.:	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Miles.</i>	<i>Per cent.</i>	<i>Miles.</i>	<i>Miles.</i>
1892.....	391,059	126.78	10.17	274.39	34.50	.....	1,258
1896.....	394,424	149.00	11.00	289.38	35.35	.....	1,440
1900.....	530,604	197.11	13.06	298.93	31.52	7,297	1,516
1901.....	576,023	212.20	13.15	267.08	31.06	7,469	1,516
1902.....	558,681	206.38	14.28	278.54	37.81	7,816	1,523
1903.....	531,477	211.21	14.45	259.85	35.90	7,973	1,518
St. Louis and Southwestern Rwy.:							
1892.....	355,174	89.37	5.41	198.79	24.41	.....	1,604
1896.....	392,244	195.47	11.54	206.18	23.87	.....	1,129
1900.....	514,980	267.61	14.39	194.88	24.58	5,528	1,142
1901.....	534,443	278.61	14.61	191.93	25.47	6,791	1,270
1902.....	578,298	314.72	15.84	192.64	23.66	6,958	1,297
1903.....	584,009	347.36	16.30	195.89	24.88	6,998	1,337
St. Louis and San Francisco R. R.:							
1892.....	292,756	51.21	3.65	188.77	28.46	.....	1,251
1896.....	264,560	132.39	9.49	173.61	32.03	.....	1,455
1900.....	372,064	154.06	12.59	182.05	35.48	8,405	1,657
1901.....	401,394	186.77	13.61	195.83	32.88	8,120	1,614
1902.....	516,173	190.44	14.63	193.66	34.56	8,300	1,650
1903.....	476,956	198.09	15.06	189.92	33.06	8,261	1,620
Missouri Pacific Rwy.:							
1892.....	316,588	169.10	11.60	190.10	25.83	.....	1,148
1896.....	253,527	153.36	10.79	173.31	28.45	.....	1,113
1900.....	371,713	189.72	13.04	179.16	25.07	5,741	1,161
1901.....	415,412	220.69	14.74	186.59	25.44	5,808	1,191
1902.....	414,669	216.09	14.47	180.43	24.05	6,465	1,319
1903.....	472,915	251.08	15.79	179.70	24.76	6,807	1,378
St. Louis, Iron Mountain and Southern Rwy.:							
1892.....	464,465	172.20	10.80	230.06	23.01	.....	1,423
1896.....	489,160	195.86	11.25	238.48	26.81	.....	1,571
1900.....	786,105	250.48	13.99	239.12	21.69	9,725	1,557
1901.....	842,373	288.02	14.71	239.99	21.11	9,973	1,668
1902.....	970,693	319.50	15.61	244.95	21.37	10,783	1,823
1903.....	1,096,792	373.97	16.55	257.75	20.74	10,922	1,794
Texas and Pacific Rwy.:							
1892.....	258,358	131.03	9.17	250.60	27.65	.....	1,249
1896.....	287,560	159.20	10.66	227.74	27.89	.....	1,339
1900.....	407,274	175.04	12.86	224.23	34.94	7,089	1,374
1901.....	518,400	191.26	13.50	238.06	34.47	7,897	1,436
1902.....	466,596	191.18	13.63	211.89	35.25	7,364	1,427
1903.....	482,223	201.27	14.20	196.30	32.64	7,524	1,484
International and Great Northern R. R.:							
1892.....	235,148	116.76	9.46	199.97	33.88	.....	1,251
1896.....	207,356	118.30	9.61	174.73	33.95	.....	1,229
1900.....	320,768	165.23	11.60	196.65	32.30	7,036	1,311
1901.....	358,923	194.82	12.39	190.13	30.41	7,003	1,477
1902.....	330,807	196.38	13.04	194.47	30.88	7,136	1,474
1903.....	334,826	203.37	13.73	184.31	32.35	7,260	1,415
Gulf, Colorado and Santa Fe Rwy.:							
1892.....	256,583	95.84	8.31	173.56	31.05	.....	963
1896.....	250,052	100.86	9.69	182.68	33.54	.....	1,312
1900.....	405,366	201.19	13.24	242.72	27.96	5,907	1,239
1901.....	413,565	216.63	12.53	239.07	30.61	6,476	1,236
1902.....	455,283	218.20	13.46	257.29	34.35	6,768	1,254
1903.....	597,721	257.20	14.95	280.82	31.51	6,798	1,263
Atchison, Topeka and Santa Fe Rwy.:							
1892.....	311,197	126.00	10.00	254.85	28.39	.....	1,283
1896.....	506,099	215.78	12.84	301.72	27.87	7,958	1,330
1900.....	555,076	237.72	13.01	299.45	28.58	8,772	1,438
1901.....	585,683	243.46	13.81	309.23	30.26	9,729	1,529
1902.....	615,827	261.78	14.03	300.54	28.88	10,021	1,544
Chicago, Rock Island and Texas Rwy.:							
1892.....	159,131	118.08	9.26	72.63	38.33	.....	1,455
1896.....	398,557	154.63	14.23	84.27	29.24	5,155	1,152

<sup>a</sup> Passenger-car mileage not reported in 1892 and 1896.

<sup>b</sup> No report.

TABLE NO. 7.—Showing volume and density of traffic, etc.—Continued.

Name of road.	Number tons car- ried 1 mile per mile of road.	Number tons per train mile.	Number tons per loaded car mile.	Average distance haul of 1 ton.	Per cent of empty to total car mile- age.	Passen- ger car mileage per mile of line.	Passen- ger train mileage per mile of line.
Chicago, Rock Island and Texas Rwy.—Continued.	<i>Tons.</i>	<i>Tons.</i>	<i>Tons.</i>	<i>Miles.</i>	<i>Per cent.</i>	<i>Miles.</i>	<i>Miles.</i>
1901.....	512,951	171.74	16.17	82.80	28.07	6,001	1,190
1902.....	562,231	162.21	15.08	83.36	28.69	7,135	1,242
1903.....	590,598	162.06	17.05	87.37	36.89	6,069	1,003
Chicago, Rock Island and Pa- cific Rwy.:							
1892.....	341,933	120.15	9.18	197.00	24.22		1,867
1896.....	310,804	136.89	10.23	196.99	25.64		1,597
1900.....	455,687	181.84	11.99	216.02	25.58	9,045	1,723
1901.....	484,437	185.04	12.12	232.00	26.21	9,640	1,844
1902.....	468,773	184.06	11.93	220.67	29.50	10,000	1,961
1903.....	445,905	187.79	12.91	231.44	32.19	9,469	1,917

*St. Louis, Iron Mountain and Southern.*—This road is shown to have earned, net, per mile of line for the year ending June 30, 1902, \$3,814, and for the following year \$3,852; and it is also shown that there were for a few years just previous substantial increases in the net earnings of each year above the preceding one. The gross earnings per mile of line were for year ending June 30, 1901, \$8,604; for 1902, \$9,751, and for 1903, \$10,269. The operating expenses increased from \$4,885 per mile for the year ending June 30, 1901, to \$5,937 for 1902, and \$6,417 for 1903.

This increase in operating expenses can not reasonably be accounted for in the increased business of the road, considering the economies which were introduced in handling that business. The total tonnage for the year ending June 30, 1901, was 6,448,762 tons; for 1902 it was 7,029,066 tons, and for 1903 it was 7,725,270 tons. No permanent improvements appear to have been charged to operating expenses during the years 1901 to 1903 in the report to the Commission, but it is quite certain that these extraordinary expenditures during the last two years mentioned were in part for permanent improvements and betterments.

We may state here a proposition which it is well to bear in mind in considering operating expense accounts as reflecting the making of improvements, additions, and betterments, and that is that the item of maintenance of way and structures and the item of maintenance of equipment must ordinarily embrace whatever was expended in the way of betterments, additions, and permanent improvements charged to operation, and that the items of conducting transportation and of general expenses will not contain such betterments and additions.

It may be also observed that the item of conducting transportation nearly always reaches 50 per cent or more of the total operating expenses, and the twenty-six subdivisions of conducting transportation contain a detail of items which would fluctuate most by a change in the prices of fuel, labor, and small articles of supplies and materials. And, furthermore, if prices of supplies, labor, and material remain the same, the item of conducting transportation, when considered in connection with the volume of business, acts as a barometer in indicating the effect of the economies used in handling that business. For example, there is not any very good reason to suppose that the cost of maintenance of way and structures would be substantially any greater for



the handling of the tonnage above stated of 1901 compared with the tonnage of 1902, or of the tonnage of 1903 compared with that of 1902.

There might be some slight differences; in the nature of things it must be very slight. Therefore the increase in the item of maintenance of way and structures per mile of line from \$834 in 1901 to \$1,201 in 1902 and \$1,247 in 1903 can not be accounted for on the basis of the increased business being carried over the road, and we must look to some other source for the real reason. To a somewhat more limited extent the same may be said of the increase in the item of maintenance of equipment from \$826 per mile for the year ending June 30, 1901, to \$1,032 per mile for the following year. We think the increases must have been due to the making of permanent improvements, betterments, and additions. On page 8 of the printed report for 1901 of the Missouri Pacific system it is stated:

The policy of making liberal expenditures, with a view of reducing cost of transportation and meeting the necessities of an increased volume of traffic, has been continued during the year.

Again, on page 9:

Independent of appropriations of income for improvements heretofore specified, the expenditures for maintenance of the road and equipment were upon a liberal scale. The amount charged to maintenance of way amounted to \$905 per mile.

Also on page 9 it is stated:

The result of the foregoing expenditures will be to reduce the cost of transportation. Some benefit has already been received, but full measure of resultant economy should be found in the reports of subsequent years.

By reference to the printed report for the calendar year 1902, the following appears (p. 93):

	1902.	1901.	Per cent increase.
Tons of revenue freight .....	7, 298, 843	6, 948, 006	5
Tons of revenue freight carried 1 mile.....	1, 797, 731, 811	1, 732, 010, 131	3. 8
Tons per mile of road .....	4, 114	3, 917	5
Tons in each train .....	351. 7	307. 2	14. 5
Tons per loaded car .....	16	15. 4	3. 6
Earnings from revenue freight.....	\$13, 650, 849	\$13, 104, 756	4. 2
Earnings per mile of road .....	7, 929	7, 605	4. 3
Earnings per freight-train mile .....	2. 75	2. 39	15
Earnings per freight-car mile .....	.09. 971	.09. 481	5
Earnings per ton revenue freight .....	1. 87. 021	1. 88. 612	.....
Earnings per ton revenue freight per mile.....	.00. 759	.00. 757	0. 4

On page 97 it appears:

	Per cent.
Number of train- run decreased .....	4. 3
Number of miles run by trains decreased.....	9. 3
Number of loaded cars in each train increased .....	10. 5
Number of miles run by cars in each train (average), loaded, increased.....	4. 7
Per cent of loaded car mileage to total car mileage, increased .....	. 8

From the data furnished by Commission's office offered in evidence it appears that from 1897 to 1903, years ending June 30, the freight tonnage of this road increased about 100 per cent, number of tons hauled in train increased from 210 to 373, and the gross revenue per train mile increased from \$1.44.776 to \$2.17.241.

It also appears from the same data that the company, after paying interest on its funded debt of \$49,425 per mile of line in 1902 at the average rate of 4.62 per cent and a 6 per cent dividend on the capital

stock of the company of \$18,053 per mile, and in addition thereto all fixed charges, and after paying for permanent improvements charged to income account of \$780,267, had a net surplus from the year's operations and income of \$1,855,947. This is of course upon the basis that the operating expenses charged were all incurred for real operating expenses.

Upon this basis it needs no argument to prove that this company was not justified in increasing the rates of freight. The foregoing facts, however, showing the economies in handling the traffic and the increase in its volume satisfies us that there must have been embraced in the items of maintenance of way and structures and maintenance of equipment large additions and betterments to the company's properties, adding to their value and in that way paying dividends to its stockholders in addition to the dividends mentioned.

The printed annual report of the calendar year 1901 shows that the company freight hauled by this road amounted to about 8 per cent of the total freight tonnage moved (see p. 93, printed report), and for the year 1902 it amounted to about the same proportion (see printed report for that year, p. 93). The extensive improvements and betterments of this line of road, amounting almost to reconstruction during the few years last past, probably accounts for such a large percentage of company freight, and it would necessarily result that the proportion of operating expenses would be thereby increased.

All of these facts tend to prove that such increases as there were in cost of labor and of some supplies and materials were more than offset by the economies shown in handling the traffic, and sufficiently indeed to cover this large volume of company freight, all of which is ultimately reflected in the increased net earnings as above shown.

No justification, therefore, is shown on the part of this road for having increased the rates of freight under investigation.

*Texas and Pacific Railway.*—Explanatory of the conditions existing at the time the advances were made in these rates, we quote from the printed annual report for the calendar year 1902, page 13, as follows:

The result of the business of the line for the year ending December 31, 1902, compared with the previous year shows a decrease in gross earnings of \$533,340.76, or 4.53 per cent, and a decrease in the net of \$251,180.47, or 6.72 per cent.

This decrease in earnings is due to exceptionally poor crops in Texas during 1902, succeeding a previous year of very limited production of cereals. These conditions, coupled with unusually heavy floods during the closing months of the year, seriously interrupting the movement of trains, retarded general traffic and affected earnings to a corresponding extent.

The outlook for 1903, however, in the opinion of those qualified to judge, is exceedingly bright. More careful tillage, increased acreage under cultivation, growth of immigration into the State, accompanied by the general prosperity prevailing throughout the country, will undoubtedly produce more satisfactory results.

Other explanatory statements along the same line as contained in the report are deemed unnecessary to quote.

The condition of the properties of the company for performing service at a less expense is shown by a statement which we quote from page 16, as follows:

The physical condition of the property was also greatly improved during the year by a liberal expenditure for heavy steel rails and ballast to meet the requirements of its increasing business, particularly on the New Orleans division. With these improved conditions the company will be enabled to handle with greater facility a much larger volume of traffic at a reduced cost.

On page 13 of the annual report for 1903 the following appears:

It is gratifying to state that the earnings of the property the past year, both gross and net, exceeded anticipation and have proved greater than for any previous period.

The increase in net earnings over the previous year is stated at \$324,327.01, or 9.30 per cent.

The total freight tonnage of this system a little more than doubled from the year 1897 to 1903, as shown by the reports ending June 30 for each of those years.

As shown in the tables submitted in connection with this brief, both gross and net earnings materially increased. The expenditures for the maintenance of way and structures are shown to have been on a very liberal scale from 1898 on to and including 1903, if we are to take as a basis of a liberal expenditure for that item what is said in the annual report of the Missouri Pacific system, as referred to wherein that system considers \$905 per mile for maintenance of way and structures as being upon a liberal scale.

The Texas and Pacific expended for maintenance of way and structures for the year ending June 30, 1901, \$1,004; for 1902, \$1,116, and for 1903, \$948 per mile of line. The same may be said with respect to expenditures for 1901, 1902, and 1903 for the maintenance of equipment. The item of conducting transportation per mile of line remained substantially the same for the three years just mentioned, and so as to general expenses. Doubtless the extensive improvements which the evidence in this case shows were being made upon the line of this road and its equipment render it capable of introducing extensive economies into the manner of handling traffic, which, with the prospective increase in the volume of traffic, must be more fully reflected in subsequent years, though it does not appear from the reports of this company that for the three years last past such material economies have been introduced into the handling of traffic as have been by some other roads, but it does appear from the data furnished by the Commission's office and introduced in evidence that the average tons of revenue freight per train mile in 1893 were 143 as against 201 for the year 1903.

The average carload, as shown by calendar years (comparison on page 15 of the printed annual report for 1902), shows that in 1894 the average number of tons per carload was 10.17, and for 1903, 13.40, and including company freight 15.39. It is also shown on page 15 of the printed report for 1902 that the expenses per ton for transportation in 1893 were \$2.18, and in 1902, \$1.50, and on page 16 of the same report it appears that for the calendar year 1893 the net earnings per mile were \$1,411, and for 1902, \$2,053, and on page 16 of the printed report for 1903 it was \$2,205.35.

It is shown on page 6 of the printed report for 1903 that, based upon the mileage owned, the total bonded debt is \$31,225.36 per mile, and the stock issued \$21,217.19 per mile. It is there shown that the funded debt consists of \$25,000,000 of first-mortgage bonds, \$25,000,000 of second-mortgage bonds, and \$4,176,000 of Louisiana Division branch line bonds. The second-mortgage bonds outstanding are held by the St. Louis, Iron Mountain and Southern Railway, and the interest upon those is not obligatory unless earned. The total interest charges on this total bonded debt is \$1,482.65 per mile, of which \$798.47 is obligatory, and \$684.18 is conditional. These bonds bear 5 per cent

interest. For the years 1901, 1902, and 1903 it appears that this interest was paid. At all events, after deducting from the total income for the year ending June 30, 1901, the interest accrued, and permanent improvements charged to income account of \$533,450, and all fixed charges, there was a surplus from operation of \$1,217,168, which, based upon the mileage owned, would be \$774 per mile of line then owned.

For the year 1902 the report of this company to the Commission shows a deficit of \$893,880, but when it is considered that in addition to the deduction from net earnings of the interest accrued on the funded debt there was deducted \$1,494,573, which was expended for permanent improvements, instead of there being a real deficit there was a surplus used for permanent improvements of \$600,697, equivalent to \$372 per mile of line owned. In the year ending June 30, 1903, there was deducted from the net earnings interest on the funded debt accrued and an amount expended for permanent improvements of \$2,877,797, besides fixed charges, which resulted in an apparent deficit of \$2,146,192, which if deducted from the amount expended for permanent improvements would leave a real surplus of \$731,605, equivalent to \$454 per mile of line owned.

As shown in table No. 6, ante, the percentage of earnings to the valuation of this property shows that it earned, in 1892, 5.2 per cent; in 1901, 13.7 per cent; in 1902, 9.6 per cent, and in 1903, 9.2 per cent. The 5 per cent on \$31,225.36 per mile of line owned, being the amount of the bonded debt, furnishes fair income upon the property—indeed, it is very much more than 5 per cent on the actual value of the property, as shown by the evidence in this case.

Considering the very extensive improvements which have been made upon that line of road, the cost of maintenance for the future certainly ought to be considerably less than it has been for the past four years. The average expenses of maintenance of way and structures per mile of line for the years previous to 1901 were very much less than they have been since that time. The remarks made in connection with the Iron Mountain upon this subject may be referred to without repeating them at this place.

The gross earnings of this road per mile of line have been quite large considering the geographical location of it, from the fact that the Rio Grande division, from Fort Worth to El Paso, for the most part runs through a very sparsely settled country having a light local traffic. The gross earnings of the Atchison, Topeka and Santa Fe Railway proper for the year 1900 were \$6,532 per mile, a little less than the gross earnings for the Texas and Pacific for each of the three years ending June 30, 1901, 1902, and 1903, while expenditures for maintenance of way and structures on the Atchison, Topeka and Santa Fe amounted to \$844 per mile, which was about the average of that road for ten years, from 1893 to 1902, inclusive.

The percentage of operating expenses for that company, for that year, to the gross earnings was 57.86 per cent, while on the Texas and Pacific the percentage for the same year was 70.92 per cent, and for years ending June 30, 1901, 63.45 per cent; 1902, 71.49 per cent; 1903, 69.64 per cent. For the calendar year 1903 it was 68.51 per cent. (See printed report, p. 16.) The cost of maintenance of equipment on the average for four years, from 1900 to 1903, inclusive, on the Atchi-

son, Topeka and Santa Fe, per mile of line, was \$831, and on the Texas and Pacific, \$796, a difference of \$37 per mile on the average for the four years.

Of course there are many different conditions on the two systems of road, but this same comparison and same showing can be made with respect to others of the defendants in this case; for example, the Chicago, Rock Island and Pacific. The cost of maintenance of equipment on the average for four years, from 1900 to 1903, inclusive, on the Chicago, Rock Island and Pacific was \$701 per mile of line. As another basis of comparison take the Iron Mountain and Southern, on which the cost of maintenance of equipment per mile of line was \$841, which represented a freight tonnage of more than twice as much as the Texas and Pacific. So that, when we consider the fact that wages and the cost of supplies and materials entering into the item of maintenance of equipment can not be materially different on these different lines, it argues strongly that the Texas and Pacific Railway Company, in that item of operating expenses has embraced large amounts for permanent improvements and additions to its equipment which are not shown in its accounts at all, else there has been an era of extravagance, and in either case the public should not suffer by increased rates of freight.

*The International and Great Northern Railway.*—This road makes a poor showing in the amount of net earnings reported, as is shown in Table No. 6, ante. An examination of the gross earnings, however, tends to show a fairly good condition for a western road. The gross earnings for 1900 were \$5,067 per mile; 1901, \$5,928; 1902, \$5,355, and 1903, \$5,286. Notwithstanding the fact that it is claimed for this road that it needs more net earnings than it has been making, some of the items of operating expenses per mile of line are on as liberal a scale as the same items on roads which are making a great deal more net money per mile of line and handling a much larger tonnage. For example, the expenditures per mile of line for maintenance of way and structures, as charged in the operating expense account for the year 1901 were \$1,175 per mile; for 1902, \$1,041 per mile, and for 1903, \$967 per mile; while the average from 1893 to 1900, inclusive, amounted to about \$800 per mile. The increased amount, therefore, must have been expended for betterments and improvements. The evidence very clearly shows this.

Mr. Thompson testified that while this road was valued by the Texas commission at \$18,080 per mile in 1895, extensive improvements had been made of both the road and equipment, so that he considered it worth about \$23,000 per mile in 1903. Since no improvements are reported, either those charged to operating expenses or to income account, or as being paid for in any other manner, it must be conceded that if Mr. Thompson's evidence is correct this company, in addition to its net earnings reported, has in fact received its dividends by the improvement and reconstruction of its property and in supplying the equipment necessary to perform its service.

The auditor of this company testified at Chicago that all of the improvements which had been made, whatever they were, including renewals and repairs, had been paid for out of the earnings and had been charged in the operating expense account, and that they kept no account showing improvements and betterments unless it was new construction of additional lines.

It was contended on the part of the attorney representing this road, Judge Stedman, as shown in the Chicago record, pages 366 and 367, that improvements in the way of betterments, like the building of a new depot where there had been none before, was a proper item to be included in operating expenses; and thereupon it was remarked by a member of this Commission at the hearing that, even conceding the contention to be true, yet it was important to know just what the road had been doing with its money, in order to properly decide the case. This we give as our reason for at this place making the showing that the net earnings no not really reflect what they ought to be under normal conditions, when extraordinary renewals and repairs are not required.

If the increased value of this road, by reason of betterments made from operating expenses, should be taken as a basis of earnings—and we do not dispute that proposition—then it must be considered as an asset which the company has obtained from operation, and when so considered it becomes an additional dividend to be added to the net earnings reported.

It can be readily seen that were this done the net earnings would make a showing sufficient to pay its interest and a dividend to its stockholders.

The mileage of this line increased from 885.70 miles on June 30, 1901, to 1,006.53, June 30, 1902, and 1,104.60, June 30, 1903. The total gross earnings of 1901 and 1902 were practically the same, though reduced per mile of line. The total gross earnings for 1903 showed an increase of about 9 per cent, though the amount per mile decreased slightly. (See Table No. 6 ante.) The density of traffic on this line, as shown in table No. 7, has always been much less than on the lines of the other respondents, and it can not be expected that extensive improvements can be carried on out of its earnings and still pay interest on a bonded debt equal to the value of the road and a dividend to the stockholders.

*The Missouri, Kansas and Texas Railway Company (both companies).*—This company should be treated as a system.

The net earnings for the year ending June 30, 1901, were \$1,877; for 1902, \$1,800; for 1903, \$1,955. To this should be added the permanent improvements charged to operation as reported, \$522 per mile, of line owned, for 1901, \$257 per mile for 1902, and \$328 per mile for 1903, which brings the real net earnings up to \$2,399 for 1901, \$2,057 for 1902, and \$2,287 for 1903. The company paid its interest, 4.15 per cent, on a basis of \$34,540 per mile of funded debt for the year 1903, and paid for permanent improvements, charged to operating expenses, \$757,727, and all its fixed charges, and had a surplus remaining of \$1,099,916. This is according to the data furnished by the Commission's office.

The printed annual reports in evidence for the years ending June 30, 1902 and 1903, show in detail the conditions of the property and the improvements that have been made, as well as the financial statements, with an increase in both gross and net earnings, as well as in the economies in the handling of the traffic.

As shown by the tables heretofore introduced, there was a liberal expenditure for maintenance of way and structures charged to operating expenses; and this same policy seems to have been pursued throughout the entire system. (See testimony of Mr. Thompson, record, pp.

625, 629, and 630; and also testimony of Mr. Maxwell, transcript of evidence, pp. 248-250, and 255.)

One of the facts with regard to this system of road is that it does not have terminals of its own, but at most of the important points makes use of others by a system of rentals and trackage arrangements of one kind and another, which of course increases the proportionate amount of expenses incurred in its operation. Considering the value of the road, as shown by the testimony of Mr. Thompson and as introduced in the table heretofore presented, the net earnings reported give this road a good showing from the standpoint of earnings. It must be borne in mind that the estimated value of this road embraces the improvements and additions as shown by Mr. Thompson's testimony.

The road is favorably located throughout the entire length of its line in a rapidly developing country, and there is no reason apparent from any of the testimony in the case why this road should not continue to prosper.

The complaint that it has never paid a dividend upon its stock is of little consequence when it is seen that it is bonded for more than its value and pays interest on its bonds regularly, there remaining a large surplus after extensive improvements upon its line and additions to its property.

We quote the following from the printed report for the year ending June 30, 1902 (pp. 6, 7, and 8):

The volume of your company's business continues to show an increase. The gross earnings were \$16,391,399.91, showing an increase of \$988,316.80, and the operating expenses were \$11,547,206.33, showing an increase of \$723,192.71. The aggregate tonnage shows 5,014,429, being an increase of 129,453 over the previous year. The earnings per ton per mile were 0.904 cent, against 0.927 cent, and the tons hauled per train mile were 206.4, against 212.2 for the previous year. The decrease in cotton tonnage of 47,529 tons was caused by the short crop, and the competition of rival lines has diverted a certain proportion of coal traffic which was formerly received by your road, but the losses thus created were compensated by increased movement in other commodities. The freight earnings increased \$535,074.42 and passenger earnings \$382,597.59, the large increase in the latter bearing significant witness to the general activities throughout the region traversed by your railway.

Improvements under way at the time of the last report have been completed and new work commenced, the most important items of which may be briefly described. Various changes of alignment have been made amounting to 22 miles; the reduction to a five-tenths grade of the line between McAlester and South McAlester is nearing completion; an important grade reduction at Taylor, Tex., has been completed and others have been commenced; about 19 miles of embankment have been made standard width; 106 miles of ballasting have been completed with rock, burnt clay, cinders, or gravel; 189 miles of new 66-pound rails have been substituted for light rails on the various divisions and the old rail relieved has been available for relaying elsewhere; 11 steel bridges have been erected or strengthened; 79 concrete culverts have been built, replacing small trestles, and a large amount of work has been done upon other trestles in strengthening them to bear heavy equipment; 1,493,779 ties have been put in the track; 46 miles of sidetracks have been constructed; 282 track miles of new fence have been built, completing the fencing of the main line; new depots have been built at Whitewright, Royse, Sadler, Pottsboro, and Whitesboro; a fire-proof record building was erected at Parsons; additions to the depots and structures at Muscogee, South McAlester, Denison, Hillsboro, and Waco have been completed, besides minor buildings at many other stations; reservoirs have been constructed at Denison, Sadler, Windboro, and Waxahachie.

There were built at the shops 2 locomotives and 61 cars of various design; 513 freight cars were equipped with air brakes. All the equipment of your company has been provided with automatic couplers in accordance with the law. In connection with the policy of improvement of superstructure it may be of interest to note that 829 miles of main line still remain unballasted, 310 miles of main track still remain laid with light rail, and 302 miles of branch lines unfenced. *Contracts have been made for the delivery of 30,000 tons of steel rails during the current year and for the fencing of all remaining lines.*

The policy of the management is based upon the conviction that the rehabilitation of your railway must be found in constantly and gradually increasing its efficiency, so that in time it may derive a larger percentage of profit from its operations. This policy has been constantly followed, and each year has seen a distinct advance in the character and capacity of the road.

It is also shown in printed report for 1903 (p. 8) that—

contracts for steel rail have been made for the current year, including 17,000 tons of 66-pound and 13,000 tons of 85-pound rail, the latter for use upon the Choctaw division. With the substitution of this rail, the work of replacement on the main line will practically have been completed.

*The St. Louis Southwestern Railway Company (both companies).—* The net earnings of the system for the year ending June 30, 1901, as shown by the printed annual report for 1902, page 20, were \$2,159.37 per mile of road. For the following year there was a very large increase in the item of maintenance of way and structures—25.70 per cent—and an increase in the maintenance of equipment of 21.94 per cent. This, together with an increase of 5.50 per cent, so increased operating expenses that together with a decrease of 1.62 per cent in gross earnings, reduced the net earnings per mile of road to \$1,619.63. (See Exhibit A, p. 20, printed report for 1902.)

It is stated on page 13 of that report:

The decrease in gross earnings is due largely to the drought during the past season throughout the country tributary to the line, which resulted in a largely diminished cotton crop. The transportation of cotton forms an important factor in the revenue of the line, directly and indirectly. Any decrease in the yield adversely affects the general business of the country and is marked by a falling off in other classes of traffic, both freight and passenger.

On page 14 of the same report it is stated:

The increase of 11.66 per cent in operating expenses is accounted for, principally, by the liberal expenditures for maintenance of way and structures, and for maintenance of equipment during the current fiscal year.

On page 7 of the same report it is stated:

During the current fiscal year the policy of permanent improvement of the road-way and track has been continued to a greater extent than ever before, and the equipment and facilities for handling your company's traffic have been largely increased. These improvements and the additional improvements contemplated will have the ultimate effect of decreasing the cost of transportation, and the beneficial results will be more fully reflected in reports of subsequent years.

For the year ending June 30, 1903, as shown by the printed report for that year, page 20, the net earnings per mile of road were \$1,565.94, which is accounted for apparently by an increase over the previous year in cost of maintenance of way and structures of 4.92 per cent, maintenance of equipment 1.03 per cent, and general expenses 23.33 per cent.

It is stated, on page 13 of that report, that—

While the gross earnings show an increase of only \$11,315.16, or 0.16 of 1 per cent, it is appropriate to state that this showing would have been much better had it not been for the heavy rains which prevailed continuously from November, 1902, to the last of April, 1903, etc.

Again, on the same and following page, it is stated with respect to the increase in operating expenses that—

\* \* \* the principal causes of this increase were large expenditures for labor, changing rail (272 miles of light rail having been replaced by heavier rail), and on account of the general increase in wages and cost of all supplies. The cost of operating trains was materially increased on account of the improvement work, such as



adjusting grades, changing rail, etc., in progress, this added cost being a necessary and unavoidable expense incident to work of this character.

The total expenditures under the general head of maintenance of way and structures for the fiscal year show an average cost of \$1,103.12 per mile of main track operated, or an increase of \$52.90, or 5.04 per cent, over the preceding year. (Equal to an increase of 29.74 per cent over 1901.)

#### TRAIN AND CAR LOADING.

The following tables, showing the average load per train and per loaded car, reflect the improved operating results in the way of economical efficiency, these results being directly due to improvements in connection with the reduction and adjustment of grades, the replacing of light rail with heavier rail, and the acquirement of modern and more powerful locomotives and freight cars of a greater capacity. Especial attention is called to the fact that the ratio of increase from year to year on the St. Louis Southwestern Railway, where the work of grade adjustments has been in progress and is now almost completed, is much greater than on the St. Louis Southwestern Railway of Texas, where but little work of this character has as yet been done.

*Average load, in tons, per train (including company material).*

Year ended June 30—	St. Louis Southwest- ern Rwy. Co.	St. Louis Southwest- ern Rwy. Co. of Texas.	Entire system.
1900.....	292.08	148.49	231.03
1901.....	317.90	150.71	236.02
1902.....	344.14	160.23	265.80
1903.....	383.70	167.09	281.68

*Average load, in tons, per loaded car (including company material.)*

Year ended June 30—	St. Louis Southwest- ern Rwy. Co.	St. Louis Southwest- ern Rwy. Co. of Texas.	Entire sys- tem.
1900.....	15.70	13.86	14.24
1901.....	15.77	14.58	15.39
1902.....	17.32	15.81	16.84
1903.....	18.00	15.40	17.19

From the foregoing it is apparent that the real net earnings for the years 1902 and 1903 are greater than the reports show. The printed annual reports mentioned show with minute detail the additions and betterments to the company's property.

One fact is worthy of remark and that is that in the foregoing quotations from the printed annual report for 1903, made by the vice president and general manager, Mr. F. H. Britton, the economies resulting from the use of heavier equipment, as stated, do not exactly conform to the testimony of Mr. W. E. Green, vice-president and general superintendent, who seemed to doubt the ultimate economy of the heavier equipment. (See transcript of evidence taken at St. Louis, pp. 302 and 303.)

*Gulf, Colorado and Santa Fe Railway Company (in connection with Atchison, Topeka and Santa Fe Railway Company).*—Since the Santa Fe lines do not reach St. Louis the gulf division, through its connections with St. Louis lines, is the principal part of the system interested in this case.

This company is owned practically by the Atchison, Topeka and Santa Fe Railway Company as a part of the Santa Fe system. The stocks and bonds appear to be deposited as security for the funded debt of the system. By reference to page 44 of the printed annual report for the year ending June 30, 1902, of the Atchison, Topeka and Santa Fe Railway Company, it appears that the total amount of the first and second mortgage bonds of the Gulf, Colorado and Santa Fe Company are pledged as security for the funded debt of the Atchison, Topeka and Santa Fe Railway Company; and on page 45 of the same report it appears that the total amount of the stock of the Gulf, Colorado and Santa Fe Railway Company is pledged as security for the funded debt. This being the case, for the purposes of the present discussion and proceeding, we take it to be proper to consider it as a constituent part of the Santa Fe system, as is done in the printed reports introduced in evidence.

We believe it is correct to say that a part of a system of railway can not be considered separately from the system to which it belongs. This becomes extremely important with respect to the Santa Fe system, as well as to the St. Louis and Southwestern Railway system, and to others which are parties to this proceeding. These constituent companies oftentimes may be treated as branch lines or feeders to the whole system. This is recognized by the statement contained in the printed annual report for 1902, above referred to, page 19, in which the following statement is made with respect to the Pecos Valley lines:

Since the publication of the last report \$854,000 additional bonds of this road have been purchased, so that your company now owns nearly all the outstanding bonds and stock. The net earnings of these lines for the fiscal year were \$189,503.50, which is equivalent to 5.47 per cent on the amount paid by your company for all the bonds and stock it owns, a result quite satisfactory when it is considered that these lines contribute a considerable business to other parts of the system.

While the same thing is not stated of the Gulf, Colorado and Santa Fe Railway Company, yet undoubtedly it is quite as applicable.

It appears in the data furnished by the Commission's office that for the year ending June 30, 1902, the net earnings per mile of line of the Gulf, Colorado and Santa Fe Railway Company were \$1,588, and for the year 1903 that they were \$1,178, and a deficit is shown for each of these years. And it does not appear from its report to this Commission that any permanent improvements were charged to income account in the item of operating expenses. It is definitely shown by the printed annual report for 1902, above referred to, that there were expenditures for construction and equipment on the line of the Gulf, Colorado and Santa Fe Railway Company for that year of the total amount of \$767,384.71. (See page 28, printed report for 1902.)

In the printed annual report for the year ending June 30, 1903, the amount expended for permanent improvements is shown as a gross item for the entire system, and not separated so as to show the amount for each constituent part of the system; but it is quite evident that a much larger amount was expended on the Gulf, Colorado and Santa Fe Railway during the year ending June 30, 1903, than for the previous year, and that it was embraced in the item of "operating expenses," under the head of "Maintenance of way and structures." It appears in the data furnished by the Commission's office that the amount expended per mile of line for this item of "operating expenses" was \$1,505, and for the previous year \$964.

It also appears from the testimony of Mr. Thompson that the Gulf, Colorado and Santa Fe Railway Company reported to the Texas commission permanent improvements and betterments made for that year to the amount of \$444,329.75; that for the previous year the amount was \$745,595.21, as reported to the Texas commission; and altogether, from 1896 to 1903, inclusive, there was expended for permanent improvements and betterments on the line of that railway, as reported to the Texas commission, the total sum of \$5,915,711. The gross earnings of the Gulf, Colorado and Santa Fe Railway per mile of line for the year ending June 30, 1901, were \$6,374; for 1902, \$6,186, and for 1903, \$6,702, and when these are compared with the gross earnings per mile of line on other parts of the system, and with the system as a whole, it leaves no ground to complain that this road was not earning of gross earnings amply sufficient to make a good financial showing.

If they saw proper to appropriate the earnings to betterments and improvements, presumably it was because it was advantageous to do so from the standpoint of future earnings. Considering the Gulf, Colorado and Santa Fe Railway Company as being owned by the Atchison, Topeka and Santa Fe Railway Company, and looking at the matter from the standpoint of the financial condition of that company, there would not appear to be any sort of reason arising from that cause for increasing rates.

As to the Atchison, Topeka and Santa Fe Railway Company it appears in data of Commission's office that after paying 4 per cent on funded debt of \$29,248 per mile and 4 per cent on common stock and 5 per cent on preferred stock, total of \$29,849 stock per mile of line, and after paying all fixed charges the surplus for the year ending June 30, 1902, was \$5 777,617. For the year ending June 30, 1903, the surplus after similar interest and dividends was \$4,111,419. Net earnings per mile of line were as follows for four years: 1900, \$2,752; 1901, \$3,204; 1902, \$3,625; 1903, \$3,316.

The proportion of operating expenses, or that which was charged in operating expenses, for the Atchison, Topeka and Santa Fe Railway Company for the year ending June 30, 1903, was 58.19 per cent, while for the Gulf, Colorado and Santa Fe it was 82.42 per cent. In view of this showing and in view of the fact that the cost of supplies, material, and labor and of practically everything entering into the operation of a railroad, is substantially the same on the two parts of the system, it is perfectly incomprehensible that there were any actual operating expenses of the Gulf, Colorado and Santa Fe Railway Company reaching to such an enormous proportion of the gross earnings. This all demonstrates that it is simply a method of keeping accounts.

The density of traffic shown by the number of tons carried 1 mile per mile of road in Table No. 7 shows that this railway has a considerably larger density of traffic than any other line of road which is a respondent in this case, which handles much of the St. Louis-Texas traffic, except the St. Louis, Iron Mountain and Southern, and just slightly less than the Atchison, Topeka and Santa Fe Railway. The number of tons per train mile is only 4 tons less than the Atchison, Topeka and Santa Fe; the number of tons per loaded car is almost 1 ton greater; the average distance hauled is but little less, and there is *no reason* why the real operating expenses should be much above those of the Atchison, Topeka and Santa Fe Railway Company per mile of

line; but it appears from the data furnished by the Commission's office that it amounted to almost a thousand dollars per mile of line more, while the volume of traffic on the Gulf, Colorado and Santa Fe was a little less than that on the Atchison, Topeka and Santa Fe. It is therefore clear that the statements made by this company as to its net earnings can not be taken as a basis for any decision by this Commission; but the company must be considered from the standpoint of what it was capable of doing had it seen fit to apply its real net earnings to the payment of interest upon its bonds or to dividends upon its stock.

The following are some of the improvements and economies shown by the evidence.

Mr. Bailey, assistant general auditor of the Atchison, Topeka and Santa Fe, speaking of that company, said:

The traction power of our engines and the loading capacity of our cars have enormously increased during the past five or six years. Our system of roads has itself vastly improved, the condition of its track, and all the appurtenances necessary for use in transporting freight; a great deal of it has been ballasted with first-class rock ballast; wooden bridges, culverts, and sluiceways have been taken out and substituted with iron and masonry, and the grades have been made better. (Testimony, pp. 519 and 520.)

Mr. Thompson, in his testimony concerning the Gulf, Colorado and Santa Fe Railway, said:

From June 30, 1895, to June 30, 1903, practically the year that the valuation was made, they have reported to the [Texas] commission the value of permanent improvements and betterments to the amount of \$5,915,711, or about \$5,700 or \$5,800 a mile. They have done a great deal of work reducing grades and putting in permanent structures and revising the line from Red River to Galveston and putting in heavier steel. They have purchased additional equipment also, and I think, as a fair proposition, that if the Santa Fe were valued to-day on practically the same basis that it was valued before the valuation would approximate between \$5,000 and \$6,000 more than the original valuation. (Testimony, pp. 570 to 572, inclusive.)

The Gulf, Colorado and Santa Fe is in good physical condition—one of the best roads in the State. On that line the maximum north-bound grade has been reduced on the division north of Sealey to a maximum grade of nine-tenths of 1 per cent, and the south-bound grades, or the ruling grades, are eight-tenths. The line is well ballasted with gravel ballast. The line from Red River to Galveston is, I think, entirely laid with 70 and 75 pound steel. I think that steel has been laid within the last five or six years. They have built new shops at Cleburne and have also built a good many depots. They have the Harvey system of eating houses. The grade reductions have been, I think, confined entirely to their main lines, as well as improvements in structures, replacement of wooden bridges with steel and concrete and masonry structures.

All their steel bridges have been enlarged to carry the traffic. Their engines are now a great deal heavier than their former engines, and I suppose their equipment in general has improved very much, because they have larger engines and heavier cars. They use oil for fuel on their lines south of Cleburne, and have erected large storage tanks at all division points. While the tanks are quite expensive themselves they do not involve a very great expense, a very expensive item with respect to the whole road. It is generally understood that their fuel bills have been cut in two. (Testimony, pp. 576 to 580, inclusive.)

*The Chicago, Rock Island and Pacific Railway Company, and the Chicago, Rock Island and Texas Railway Company.*—Neither of these roads made any contest in this case at either of the hearings, and we deem it unnecessary to say much more than is shown in the tables contained in this brief.

The gross earnings of the Chicago, Rock Island and Pacific Railway Company increased from \$28,699,185 in 1902 to \$36,309,492 in 1903. The net earnings increased so that the net income for 1903 was \$15,518,796 against \$12,766,707 for the year 1902.

The company paid 4.27 per cent interest on \$21,969 per mile of line of funded debt and 4 per cent dividend on its stock of \$18,636 per mile for the year ending June 30, 1902, and all fixed charges, and there remained a surplus of \$5,741,898. For the year ending June 30, 1903, it paid the interest at the average rate of 4.29 on \$22,104 per mile, and 6.25 per cent dividend on capital stock of \$23,059 per mile, and all fixed charges, and there remained a surplus of \$2,609,014.

There are a large number of other items bearing upon the financial condition of the road, but these are sufficient to show that it was in prime condition and had vastly increased the amount of earnings, both gross and net, for 1902 and 1903. There does not appear to be any permanent improvements charged to operating expenses in this account, but undoubtedly the same policy which controlled the other companies, respondents herein, applies equally to the Rock Island road.

It will be noticed that both the gross and net earnings make a good showing and, indeed, the net earnings per mile of line at the date of the advances in these rates was greater on the Chicago, Rock Island and Pacific Railway than it had been for the previous year, and the data in evidence shows that it was greater than it had been for several years past. While for the year 1903 there was a decrease per mile—it was because of a largely increased mileage—the total net earnings very largely increased.

Undoubtedly the same conditions in a general way which have been shown with respect to prices of labor and material must be the same with respect to this system.

The Chicago, Rock Island and Texas Railway was constructed in 1892, the company being organized July 15 of that year, and on June 30, 1903, it had 148.3 miles of road in the State of Texas, reaching from the Red River at its connection with the Chicago, Rock Island and Pacific to Fort Worth, with a branch line from Bridgeport to Graham, Tex., the line from Red River to Fort Worth being first constructed.

Mr. Thompson on May 4, 1903, made a detailed valuation of this 148.3 miles of road, as shown by his testimony in this case, and placed the value at \$4,833,077.09. On the latter date it also had cash and current assets amounting to \$762,799.16 and materials and supplies on hand to the amount of \$38,184.36, making a total of \$5,634,060.61. Outstanding against this were liabilities as follows: Capital stock, \$22,530; bonds, \$1,365,000, and current liabilities, \$1,981,143.59, making a total of \$3,368,673.59. In other words, it appears that this company during the eleven years made a gain of \$2,265,387.02, or, on the 148.319 miles, a gain per mile of \$15,273.75.

It is true that no dividends have been paid on the capital stock, but the capital stock paid in has always been insignificant in amount when compared with the mileage of the road. Per mile of road owned the capital stock has ranged as follows: On June 30, 1893, it was \$135.25; on June 30, 1894, it was \$81.74, and so remained until June 30, 1898; on June 30, 1899, it was \$62.71; on June 30, 1900, it was \$62.71; on June 30, 1901, it was \$62.75; on June 30, 1902, it was \$187.75; and on June 30, 1903, it was \$152.96. The capital stock for the latter year is based upon a mileage of 147.29, which is the mileage reported by the Chicago, Rock Island and Texas to the Interstate Commerce Commission, but this does not include a short spur track in Fort Worth owned by the company. The Chicago, Rock Island and Texas also operates,

under lease from the Chicago, Rock Island and Pacific, 1.14 miles of road running from the Red River to Terral, Ind. T. Mr. Thompson's valuation was based upon mileage given by him as follows:

Main line, Red River to Fort Worth.....	92
Union Depot spur in Fort Worth.....	1.031
Jacksboro branch, Bridgeport to Jacksboro.....	28.735
Graham extension, Jacksboro to Graham.....	26.553
Total.....	148.319

Mr. Thompson, in describing the Chicago, Rock Island and Texas road, said:

I do not know of a superior piece of track. A very expensive bridge crosses the Red River, and the terminals at Fort Worth are very expensive. They have a very fine rock ballast—about 3,000 yards to the mile. It was a very expensive piece of track to build on account of the drainage of the Trinity and other rivers. They have a good many bridges in proportion to the mileage. They have all first-class steel bridges. (Testimony, pp. 584 and 585.)

This shows what one of the respondent companies has been able to do under the rates that have prevailed during the last ten or twelve years, and indicates that, were it possible for us to show in dollars and cents the improvements that have been made to the properties of the other respondents, it would be seen that they have in this way paid substantial dividends to their stockholders.

The annual report of the railroad commission of Texas for the year 1902 shows that for the year ending June 30, 1902, the Chicago, Rock Island and Texas road earned upon the estimated valuation of that commission, on the 120.77 miles then owned and in operation, 15.72 per cent, net. (Appendix, Table No. 11.)

For the year 1901 the amount of net earnings was 11.79 per cent. Of course these net earnings were those the company reported after allowances and expenditures indicated in the foregoing statement.

IV. *The method and manner of making the advances in the rates and the reasons which actuated the respondents in doing so.*—It will not be useful to undertake to quote the testimony as to the manner of making the advances in the rates under investigation and the reasons which actuated the respondents in doing so, but it may be stated, as facts established by the evidence of the traffic managers of the various respondents who made the advances in the rates complained of, that they had the matter under consideration for several months before the advances were made; that it had been discussed by the different traffic managers of the respondents, and that at one or more meetings held at the office of the Southwestern traffic committee, of which George W. Cale is chairman, at St. Louis, the matter was formally discussed and interchange of views was had which ultimately resulted in the publication and putting into effect of the rates complained of, not only on behalf of the respondents, but their connecting lines, consisting of all of the railroads participating in the handling of the traffic, which roads were members of the Southwestern traffic committee.

It does not seem to be disputed or questioned that the respondents and other carriers participating in this traffic by a combination among themselves advanced these freight rates, and have since the date of the advance, in March, 1903, maintained them as advanced. The reasons given by all lines were the same, viz, for the purpose of obtaining more money to meet increased operating expenses. And it is further shown that the advances in the rates were made in pursuance of a

policy of the respondents to increase the rates wherever they could. It is also made quite clear from the testimony, and indeed would be evident even without the testimony, that none of the lines could have advanced the rates except by a concurrence of all of the lines carrying the traffic from St. Louis.

Indeed, the combination to advance these rates was not limited to the St. Louis-Texas lines, but the rates to Galveston from Atlantic seaboard territory were increased and it was understood that that should be done, and had it not been done the advances from St. Louis and Mississippi River crossings could not have been made.

The effect of it all was to eliminate entirely the matter of competition so far as the public was concerned. In fact, there is no competition as between the respondents in the rates which are charged for this service.

It may be true that the Interstate Commerce Commission is not authorized to enforce the provisions of the Sherman antitrust act, as was contended by counsel for the respondents at the hearing, but that does not affect the importance of the proposition that by stifling competition through the unlawful combination of the respondents they were enabled to advance these rates which otherwise they could not have advanced. And if it happens, as appears to be the case, that this was a violation of that act as construed by the Supreme Court, that affords no reason why the Commission should not consider that fact as bearing upon the reasonableness of the advances. It is no answer to this proposition to say that the rates must be the same via all lines serving the same territory, and that it has been usual and customary for the roads to confer together to make them the same, for if by doing so competition is eliminated, the public is deprived of the only restraint which the law affords against unreasonable rates in the first instance. This the Supreme Court has definitely decided in the several Joint Traffic Association cases and recently reaffirmed in the Merger case.

The law affords no standard by which to measure the reasonableness of a rate and in the nature of things can afford none. It has always been supposed, and in fact has been urged by the railroads themselves, that competition between carriers would always keep the rates down to a point which would be within reasonable limits, but when the restraint of that competition is removed there is nothing left but the mere will of those who see fit to combine together and thereby fix and maintain rates of freight to suit their own desires.

We may well assume that if any one of these lines which are respondents in this case, which reaches from St. Louis to Texas points, had remained out of the combination and refused to advance the rates, one of two things would have happened—either the net earnings would have been reduced by such an amount as the advances yielded, or operating expenses must have been curtailed. There is no showing whatever in the testimony as to whether these roads are economically administered. It is undisputed that very liberal expenditures were embraced in operating-expense accounts for improvements and betterments, and had the rates not been advanced it may be that the management of these lines would have considered it better in order to maintain the previous standard of net earnings to curtail the amount of expenditures for betterments and additions.

So long as these respondents can advance their rates of freight for the purpose of meeting a demand of their employees for higher wages and then advance the wages and repeat the same thing again and again and justify the advances in freight rates because of advances which they make in the wages and salaries of their employees, the public will have no sort of remedy against being compelled to pay rates of freight sufficient to enable the railroads to pay a possibly exorbitant scale of wages. It is perfectly plain that but little resistance will be offered by the railroads against a demand for increased wages so long as they can levy a tax by advancing freight rates to meet the bill.

## CONCLUSION.

There is no standard by which to measure the amount which a railroad company may earn. It desires to earn all it can; the public is entitled to only reasonable rates. If the basis of earnings were fixed by law it would be arbitrary, and in fixing it the legislative department must exercise its judgment. The matters to be considered are innumerable. They can not be defined, but it is settled that the interest of the public can not be ignored merely to enable the road to earn the interest upon its obligations and a dividend for its stockholders, either in money or additions and betterments to its property. But this is precisely what was done in these advances. Every one of the respondents was earning sufficient money in gross to have paid all necessary operating expenses and interest on all their obligations and a dividend to their stockholders had it been so applied.

Considering the manner in which the advances were made; considering the fact that these same companies maintained the previous schedule of rates for years, during most of which time they were earning far less, both gross and net, than when the rates were advanced, and considering the improvements in their properties and consequent economies in handling the traffic, and considering the fact of a largely increased business, both present and prospective, at the time the rates were advanced, and since, and that the country and its commerce through which these lines run is rapidly developing, it certainly appears that no justification is shown to sustain these advances in freight rates to a point higher for the most part than they were for more than fifteen years.

Respectfully submitted.

S. H. COWAN,  
P. J. FARRELL,

*Attorneys for the Commission.*

Mr. COWAN. A general statement would be that the prices of supplies and of labor and material have increased in a certain percentage. It depends on what the two dates of comparison are in order to determine whether there has been an advance. If you make the comparison with the very low prices of 1897 you will see there has been a very material advance in supplies and material up to 1903, whereas if you compare with 1892 to 1903 there has not been. The general manager of the St. Louis Car Foundry Company, a man of great intelligence and high standing in St. Louis, testified before the Interstate Commerce Commission that it does not cost any more to-day to build a car of the same sort than it did ten years ago. But the fact is



that no such cars are built to-day. To-day they are building a car that has a 50 per cent longer life, with double the carrying capacity, and equipped with safety appliances of all sorts. That is an entirely different car from that built ten years ago. Some things have advanced in price and some have not.

The CHAIRMAN. The price of steel rails has gone up to \$28, and it used to be \$16 and \$19.

Mr. COWAN. Yes; and they used to be \$30 and \$35. It all depends on the dates.

The CHAIRMAN. I wish you would fix the dates.

Mr. COWAN. I will leave that to the testimony of witnesses before the Commission. I have not kept the prices in mind in regard to steel rails, but steel rails have not advanced during the time that these advances have been made in the rates; and they did not make these advances because steel rails had advanced, for they have remained stationary since the trust fixed the price a little over four years ago.

As to the cost of labor, it depends entirely on the dates of comparison. But the material question is how much tonnage and how much earnings does a dollar expended for labor represent to-day as compared with some other day, and not what you are paying an engineer, a fireman, or conductor for his service. The question is what does the service represent to the company?

I had compiled by the auditor of the Interstate Commerce Commission, for the purpose of this brief, a table in which the value of labor is shown. It takes a great deal of trouble to get at these figures. I had the tables made out for all the different lines embraced in this case, called the Southwestern lines, and put them in the brief. Table No. 3 in my brief shows the average number of tons carried one mile per day's work performed by railroad employees (excluding general officers) and average daily compensation for years named ending June 30. This table shows, as to the Texas and Pacific, that in 1892 it carried 279 tons one mile, and that the average daily compensation was \$2.11; that in 1903 they carried 306 tons one mile, and the average daily compensation was \$1.91. That comes down to the actual minimum with respect to railway operation.

I heard Mr. Russell Harding testify in the hearing at St. Louis that the engineers and conductors would be able to show you that they were not expecting to receive any more for their work than they had received before. They say that with these large engines they haul a much greater tonnage than the smaller engines hauled, upon which previous statements were based; and it was upon these theories of advances by the unions and labor organizations of the country that the railroads were compelled to advance wages because there had been a vast increase in train tonnage. Mr. Harding said that they could establish the fact that there had been no real advance in the comparative amount of wages paid to the engineers, firemen, conductors, and brakemen.

The CHAIRMAN. Was Mr. Harding president of the Missouri Pacific?

Mr. COWAN. He was vice-president and general manager. That testimony was given before the Commission. The record of various cases before the Commission establishes every fact upon which this committee might want information.

Senator CARMACK. As I understand, your contention is that the railroad gets a larger amount of service for the dollar now?

Mr. COWAN. It is not a contention; it is a mathematical certainty, based on the reports.

Senator CARMACK. That is your statement?

Mr. COWAN. That is my statement. You understand that railway accounts are divided into three classes: First, maintenance of ways and structure; second, maintenance of equipment, and third, operation and equipment; and each of these is divided into subheads, so that there are about fifty-five subheads altogether. Taking transportation, they show about 49 to 52 per cent as the total cost of railway operation, and that item can not contain anything in the way of betterments or improvements. It contains the largest labor item of any other one division of operating expenses. It also contains the item of fuel, which is very important, the maintenance of station agents, telegraph expenses, and various other things. It would be well for anyone who desires to investigate the subject thoroughly to acquaint himself with the figures the Commission furnishes with respect to its annual reports. These tables show that in 1892 a day's work, which on the Texas and Pacific cost an average of \$2.11, represented the movement of freight 1 mile, while in 1903 a day's work, which cost that road an average of \$1.91, represented the movement of 306 tons of freight 1 mile.

Mind you, there is a system whereby some railroads estimate that 100 miles constitutes a day's work. Some roads take the average mileage made by trains and engines per day and call that a day's work. So that when you examine the statistics, unless you are familiar with the method by which they are made up, you may be entirely misled. The Santa Fe, for example, makes its basis, not upon 100 miles, but upon the average mileage that an engine makes in a day. I do not know any good reason for that, but they do it. The St. Louis, Iron Mountain and Southern Railway in 1892, moved 838 tons 1 mile for a day's labor, charged to conducting transportation, costing \$2.29, and in 1903 the same road moved 1,271 tons 1 mile for one day's labor in the same service, costing \$2.26. These tables are here to show for themselves.

The same relative facts exist with respect to all the southwestern rates. That arises from the fact that there has been an increase of tonnage from year to year for several years, so that to-day the St. Louis, Iron Mountain and Southern, for example, carries 70 per cent more tonnage than in 1898, the Santa Fe 42 per cent more, and the Rock Island something over 40 per cent; the exact figures I forget.

Our people say, and I believe it to be true, that there should be no occasion to advance rates, because of increase in facilities of transportation and increase in the number of railroads. But that has been the result. Our State has been plastered over with railroads until we have more than any other State; we have nearly 12,000 miles. Yet every new facility affords occasion for the claim that they have the right to advance rates. If you base rates upon the right to earn a certain amount upon investment, it must always be the case that when you increase facilities you give a basis for higher charges.

Competition has been destroyed. We had, leading from Fort Worth to the Gulf, the Santa Fe, the Houston and Texas Central, and the

Missouri, Kansas and Texas, three standard lines leading to the Gulf at Galveston and Houston. The International and Great Northern built a road there, and that made four. Now, if you divide the traffic between them it makes a less number of tons per mile for each road unless the whole volume of business has increased, and it makes a less passenger traffic for each. If you say that a road has the right to demand from the public, without consulting the public, the right to charge enough to earn a fair income when they build a new road, that will absolutely bankrupt the people of the United States if it is permitted to be indulged in for twenty years. Say there shall be a half a dozen lines built through Iowa; what would be the result in any trial before the Commission or a court? The result would be that the railroads would show what their tonnage has been, what their earnings have been, and they would say, in view of that, Can you reduce our rates? No, we can not. Why? Because the principle of law is, that you are entitled to earn so much upon investment. The principle is absolutely destructive of the liberty of the people of this country in railroad transportation.

Senator DOLLIVER. It seems to be pretty thoroughly indorsed by the highest courts.

Mr. COWAN. I have stated that, but I am telling you many things have been indorsed and many principles have been determined that will not do. The Supreme Court of the United States and several of the circuit courts have said that the best test to determine what a reasonable rate is is that which free competition has established. If that be true, then the lowest rates we have had are the standard of reasonableness. The Supreme Court is composed of men; they may be mistaken, like the rest of us. Circumstances alter principles that are to be applied generally.

Senator DOLLIVER. They seem to put it on the constitutional right of a man to save his property.

Mr. COWAN. Well, if you will read those cases carefully you will find that the Supreme Court has left a saving clause in every one of them, in which they have held that the principle that the railroad may be entitled to earn money to pay interest on bonds, fixed charges, and operating expenses must be conceded. With that qualification, where are we? To use a phrase imported from Texas, where are we at? The traffic man has no basis. The traffic man can not tell you what it costs to haul a railroad between given points. No living man can. One man can tell you what it costs to deliver the train to the company; what it costs for the labor of the trainmen on that trip; what it costs for the fuel; the approximate cost of the repairs to engine and cars, and cost of delivery. But what proportion that should bear to total operating expenses is a different proposition. The Milwaukee and St. Paul undertook to tabulate and fix the amount of these charges per mile. They succeeded admirably in fixing 42 per cent, and then they charged 58 per cent simply to the general unitemized cost of transportation. That is found in their annual report.

Senator KEAN. Forty-two per cent?

Mr. COWAN. That is my recollection, but it is hard to recall precise figures.

The CHAIRMAN. Is that 42 per cent in addition?

Mr. COWAN. No. They say the total cost per mile of carrying trains on that road for 1903, or 1902—I forget which—was \$1.16 or \$1.17.

They succeeded, according to my recollection, in fixing it at 42 per cent, and the 58 per cent they could not fix. I am not certain whether that 58 per cent was in the \$1.17. But, at all events, it is always considered that more than half of the expenses of operation can not be singled out and placed upon a given traffic.

Therefore, all the traffic men have testified for every western railroad in our cattle cases—I have examined every one of them—that you have no right to make your basis upon the rate, either the rate per ton mile, or the rate per car mile that is based on what it costs to handle the products of the country. They say they can not tell what it does cost. The railway publications all state that. There is no dispute about that being true.

That being true, that they do not know the cost—and this matter is open to your investigation from their annual reports—how is it possible that the traffic man knows more about how to fix a reasonable rate than any well-informed commissioner? There is not a factor in the case that a well-informed commissioner may not ascertain with just as much certainty as anybody else. The traffic man has had no experience in fixing reasonable rates. His experience has been in making money for his company, just as you or I would do in ordinary business. Though the railroads admit that the law is not correct, yet they claim and practice the right to conduct their own affairs as you would conduct a store or as a manufacturer would conduct his plant; and many men in this country believe that they ought to have that right.

There is a great public in favor of it. But still, public interest seems to step in, and it is now established by law that it is not correct at all. If the theory be true that we are entitled to regulation, I say that the factors entering into the determination of a reasonable rate are as ascertainable by any well-informed man as by a commissioner, and if it is to be ascertained by the traffic man, he must resort to the annual reports to get his data for a comparison of rates, and then by a comparison of rates only is it possible for him to determine what is a reasonable rate. The more you study that proposition the more you will come to the conclusion that that is correct.

I want to read now from the statement of Mr. James Hagerman, a man of great ability and learning, whom some of you Senators know; no doubt many of you know him. He represented the Missouri, Kansas and Texas in filing a brief in this case concerning advances to Texas common points. After quoting from the Supreme Court decisions, text writers, and various decisions of the circuit courts concerning the subject of reasonable rates and their regulation and the standard to be taken, he makes this statement:

Therefore, when the rates are shown to be thus resulting from the force of competition, and not in excess of rates charged for the same service by other carriers similarly situated, the rates are not only *prima facie* reasonable but are conclusively reasonable, as no other standard is or can be used for the determining of that question.

How are you to ascertain what a reasonable rate is? You have got to have comparison. There is no other theory upon which you can work it out. That is mathematical. It must be based upon the cumulative accidents and circumstances surrounding the evolution of the railroad business of this country. It is, of course, desirable for a railroad to obtain traffic over its lines, to build up industries, to secure export and import trade—a thousand and one things the imagination

can not reach as to the different elements that enter into the establishment of existing rates. I believe Mr. Hagerman is correct—that wherever you can show that a rate is the result of competition, that is the best standard of its reasonableness, because calculated upon any other basis the factors are innumerable.

Put a railroad man on the stand as a witness and ask him: “How do you arrive at the reasonableness of this rate?” First he will tell you, “By comparison.” Comparison with what? Our rates in other parts of the country, rates on other commodities, and the like. Yet there is no standard of reasonableness as between the relation of rates between commodities. Why should you put one class of commodities in the first class rather than in the second? The difference in cost of transportation, if any, must be slight. The risk is a small item, because insurance covers it in all cases. It is simply upon an arbitrary, accidental fixing by the evolution of the rate-making power.

The CHAIRMAN. But the consolidation of railroads destroys competition.

Mr. COWAN. That is a point I am coming to.

The necessity has arisen that there shall be a regulation of it by some other power, because competition is keen. The people of this country see it; they are becoming educated to it; they are finding it out day by day. Yet it has happened that every circumstance has been made the excuse for an advance of rate, and all the violations of the law have been laid at the door of competition.

They have said that they have the right to give rebates because their neighbor did. The only business in the ethics of life in which it can be urged, as a matter of moral philosophy in any class of business, that one man has the right to commit a crime to earn money is because his neighbor does. They have claimed that right because their neighbor did it, instead of undertaking to prosecute the man who committed the crime. That is the fact; no doubt about it. What other business in this country can be permitted to claim the right to prosper by violating the law because a neighbor does the same? None other. None other.

Fortunately, rebates have stopped. It was a fortunate thing that they did, because it was made the means of discrimination between individuals, where the neighbor can engage in the purchase and sale of articles because he gets lower rates.

I call your attention to some proof we took in this Texas case before the Commission. One of our witnesses, an old gentleman, Mr. Barrymore, of Abilene, Tex., gray-headed and intelligent, said: These men form in groups; \$10—did that catch them? No; \$15—did that catch them? Yes; that thing was customarily done. He told of instances where, between the Missouri Pacific and Dakota, in the Indian Territory, he had a ranch, while his neighbor had one over on the Missouri, Kansas and Texas. The Missouri Pacific gives a rebate to him, and the Missouri, Kansas and Texas gives a rebate to the neighbor. The result was that these men passed each other in driving over to the other road; each was getting a rebate from the road farthest from where he lived. Those things were generally known and customary up to four or five years ago.

The CHAIRMAN. Not recently?

Mr. COWAN. Not recently.

Senator DOLLIVER. Did that state of things create a lively dissatisfaction among shippers?

Mr. COWAN. Oh, no; they liked it. They liked to get their money.

I believe the advance of cost of transportation has been occasioned by the increased prices of materials, but it will be and is more than offset by the stopping of rebates. There is a heavier train load; there are more economies; there is a greater density of traffic. And yet, when competition is out of the way, each factor is made an excuse for advancing rates. We took the testimony of Mr. Holmes, who was president of the Corn Belt Meat Producers' Association, at Denver, and he testified that the railroads deliberately entered into agreements with shippers to extend the time to market by six hours. The freight was formerly loaded in the afternoon for Chicago. Now it must be loaded in the forenoon. He said it was proved that it was capable of demonstration that that was the case with the feeders of Iowa for every car that they shipped to Chicago. Yet they did not reduce the rate.

Senator DOLLIVER. The money went where?

Mr. COWAN. It went out between the slats of the cars. These things can not be permitted to exist, or will not be permitted long. The sooner correct legislation is passed the better for the railroads and the better for the people.

Not only that, but the railroads entered into an agreement with packing houses on the Missouri River, whereby they agreed that they would carry trust meats and packing-house products to Chicago at 18½ cents per hundredweight. They had been doing that secretly for years. But a shipper in your State, 125 to 150 miles nearer to Chicago, they charged 23½ cents per hundredweight on the raw material, while they were giving to the other man 18½ cents on the manufactured product.

Senator DOLLIVER. Would you call that a discrimination in respect of descriptions of traffic?

Mr. COWAN. No, sir. It is an undue and unreasonable preference.

Senator DOLLIVER. On one description of traffic over the other?

Mr. COWAN. Yes, sir. I say amend the third section of the act.

Senator DOLLIVER. Is that curable in the third section of the act of 1903?

Mr. COWAN. I should not want to answer that offhand, without a careful examination. I scarcely think so, but it may be. However, I want to say this: That the Supreme Court of the United States, in construing the words "under substantially similar circumstances and conditions," have held affirmatively that the railroads have the right to charge more for a shorter haul than for a longer haul over the same line, although it may be an undue preference, which is practically upheld in both the third and fourth sections of the act. Examine the decision of Mr. Justice White in the Belmont case and you will find it. Senator Carmack is doubtless familiar with it. The court held that the words in the fourth section give the right by statute to make undue preferences.

Senator DOLLIVER. As between localities?

Mr. COWAN. As between localities; and the same must apply with reference to classes of traffic if you desire to avoid just such things as occurred in this case I mentioned. You will have to amend the fourth section by striking out the words "under substantially

similar circumstances and conditions," leaving it to the Commission to determine, and not for the court to say as matter of law. Every little circumstance—like an additional railroad, for example—amounts to a substantially dissimilar circumstance and condition, because the court always says that the things that are not precisely similar are dissimilar. That is a matter of logic. Those words being in the law, it has been held that they practically amount to nothing.

The CHAIRMAN. Judge Cowan, you have presented this case very ably, and we should be glad to have you suggest to us the precise remedy.

Mr. COWAN. I will do that. I have it written out.

The CHAIRMAN. I will ask you to read it.

Mr. COWAN. I will read it. This is what I think is sufficient.

The CHAIRMAN. You are going to suggest a remedy for the evils complained of?

Mr. COWAN. Let me qualify that a little. Our own people are interested, not so much in the matter of undue preferences and discriminations as they are in the amount of the charge.

The CHAIRMAN. They are passing away.

Mr. COWAN. I have my opinion about the discriminations. I have expressed that to-day, but I have not undertaken to suggest that we desire an amendment to the act. In this particular case we think it is practically immaterial with respect to the people west of the Missouri River.

Senator DOLLIVER. The preference regarding distance works rather to the advantage of those remoter points, so far; does it not?

Mr. COWAN. Oh, no; I think not. I think it is perfectly reasonable to say that the greater the distance the less the proportionate rate should be, because the proportionate cost of transportation is less. I do not think that ever did operate that way, except that the railroads were built mile by mile in this interior western region, except in Texas, and there the rates are regulated by water competition on the Gulf. Take the Denver rate and the California rate. From Wyoming they pay \$1 and from San Jose it is \$1.10.

Now, I will read, Mr. Chairman, the paper you have suggested.

Senator CARMACK. Is that the amendment you referred to yesterday?

Mr. COWAN. I have put it in better form here:

WASHINGTON, D. C., *January 28, 1905.*

Hon. STEPHEN B. ELKINS, Chairman, and

The COMMITTEE ON INTERSTATE COMMERCE OF THE SENATE OF THE UNITED STATES:

Upon your request that I should do so, I make the following suggestions of specific amendments to the act to regulate commerce:

First. Strike out the words in the first section, "under a common control, management, or arrangement for a continuous carriage or shipment," in order to bring all interstate and foreign commerce under the provisions of the act without leaving it to the carriers to elect not to be subject to the act merely by refusing to make and publish joint rates for through shipments, as they may now do.

Second. Amend section 15 by adding at the end thereof a clause giving the Commission power to fix rate and routes, fixing also adequate penalties for nonobservance, as follows:

"It shall be the duty of the Commission, and it is hereby authorized, to fix proper and lawful passenger fares or rates of freight or charges for any service in connection with carriage of passengers or with the receiving, handling, storing, transporting, and delivering of any freight handled or transported when the same is interstate or foreign commerce whenever upon any investigation made by the Commission under the provisions of the act to regulate commerce approved February 4, 1887, or acts

amendatory or supplemental thereto, it shall determine any such existing fares, rates, or charges, or any part thereof, to be in violation of any of the provisions of said acts, and to substitute for such unlawful fares, rates, and charges, whether joint or single, the fares, rates, and charges found by the Commission to be proper and lawful; and to make an order putting such lawful substituted fares, rates, or charges in force as the published fares, rates, or charges, which shall, after due notice, be deemed in law to be the published fares, rates, and charges of such carriers in lieu of such unlawful fares, rates, or charges, not less than twenty days nor more than sixty days from the date of notice of such order to the carriers against whom the same may be issued.

If any carrier, being a party to the investigation out of which the order shall be issued, after notice thereof shall fail or refuse to obey the same and conform its charges thereto, as directed in such order, it shall be liable to a penalty of \$5,000 per day for each and every day it shall violate such order, to be recovered by the United States at the suit of the Commission in any circuit court of the United States for the district where the disobedience shall occur or where such carrier has an office and agent, in addition to the penalties and liabilities of any other law applicable to the act of such carrier for nonobservance of its published rates.

Third. Make the act for expediting hearings applicable by inserting after the word "complainant," in the first section "or in which any common carrier shall by any suit or proceeding seek to enjoin, annul, suspend, or modify any order or ruling of the Interstate Commerce Commission;" also to insert the same words after the word "complainant," in the second section of said act.

Fourth. Unless it is deemed necessary at this time to establish an interstate-commerce court, which is certainly not urgent, the foregoing will leave the Commission with all the power necessary, legislative in character, to afford the shippers all they can reasonably ask, and leave the railroads with all of the rights which the law can confer, to set the Commission's order aside, and yet let it be effective as a legislative act.

Fifth. If it is desired that section 4 be effective, strike out the words "under substantially similar circumstances and conditions," otherwise it might as well not exist.

Respectfully,

S. H. COWAN,  
*Attorney for the Cattle Raisers and Cattle  
Growers' Interstate Executive Committee.*

Senator DOLLIVER. Aside from the general provisions of the law, do you suggest any provision for the appeal of these cases?

Mr. COWAN. If you make this act applicable it confers a method for speedy appeal. It leaves it so that one circuit judge can not set aside the order of the Commission just by his ipse dixit; you can call three circuit judges to determine it. I say if you do not want a special interstate-commerce court that ought to be done.

Senator FOSTER. Under this proposed amendment that you suggest you leave the rate-making power with the railroads, do you?

Mr. COWAN. I leave that with the railroads entirely; yes.

Senator DOLLIVER. Why do you suggest omitting the preliminary of a complaint on the part of somebody in regard to the rates?

Mr. COWAN. I stated at length yesterday that it looks foolish, if you are empowering the Commission with the right to determine whether the rate shall be investigated and to pass upon the essentials of it, if you do not give the Commission the power, of its own motion, if the circumstances seem to demand, to institute an investigation to determine whether or not the thing ought to be done.

Senator DOLLIVER. I remember that the Senate once requested or directed the Commission to make an investigation of the grain rates to Chicago during the hard times.

Mr. COWAN. If you are going to intrust such an important power to the Commission, certainly you can trust it without any requirement of the filing of a complaint. Under the present law they may institute an investigation of their own motion.



Senator DOLLIVER. Do you think this amendment you suggest would tend to nullify the remedies already given by law, the remedies contained in section 3 of the act of 1903, against discriminations?

Mr. COWAN. It would not absolutely do so. The Commission are only permitted to substitute a lawful rate for one that is unlawful. In the suggestion I make I do not see how it could result in any sense in nullifying or repealing any of the provisions of the existing law.

Senator DOLLIVER. With this exception, that the duty of the Commission, in case they find discriminations, is pretty thoroughly stated by the act of 1903.

Mr. COWAN. You know the legal liability of a railroad company for having granted discriminations and rebates is for a past act. The giving to the Commission the right to make rates for the future would not militate against the present law.

Senator DOLLIVER. The act of 1903 does not deal with past acts.

Mr. COWAN. Yes, it does; and it does not provide for fixing any rate for the future. That can be reached by injunction.

Senator DOLLIVER. Section 3 of the act of 1903 provides:

That whenever the Interstate Commerce Commission shall have reasonable ground for belief that any common carrier is engaged in the carriage of passengers or freight traffic between given points at less than the published rates on file, or is committing any discriminations forbidden by law, a petition may be presented alleging such facts to the circuit court of the United States sitting in equity having jurisdiction.

The act further provides a very elaborate order of procedure at the expense of the United States.

Mr. COWAN. To enjoin.

Senator DOLLIVER. To enjoin, and for a decree requiring them to desist. Do you think that ought to be repealed by implication?

Mr. COWAN. I think not.

The CHAIRMAN. You use the words, "proper and lawful;" why did you not use "reasonable?"

Mr. COWAN. I did that deliberately, for this reason: The Commission might be compelled, in order to comply with the provisions of section 3 of the act, for example, to put in a rate the reasonableness of which they did not want to pass upon, just exactly as they decided a few days ago in the Packing House Products case, and the comparative rates on cattle. They do not pass on the reasonableness of the rate, but they say that the carrier has no right to transport the trust meat at a less rate of freight than for live stock from the immediate station.

The CHAIRMAN. By putting commas between, the propriety or the reasonableness or the lawfulness can be considered.

Mr. COWAN. I agree to that.

The CHAIRMAN. I want to know what is in your mind.

Mr. COWAN. In my mind there are other facts besides reasonableness that I want the Commission to determine without peradventure.

Senator CARMACK. You spoke a while ago about a statement made to the Interstate Commerce Commission in regard to increases of rates made by the railroads; within what time was that?

Mr. COWAN. Since 1897.

The CHAIRMAN. Judge Cowan, Mr. Davenport is here and would like to ask you some questions.

Mr. DAVENPORT. I represent those millions of people who are directly and pecunarily interested in the preservation of the properties which

the gentleman spoke of as income-producing properties. While the Judge is here, and has had particular personal experience in these matters and is entirely familiar with the situation in the Southwest, I would like to ask him a few questions.

The CHAIRMAN. Make them brief.

Mr. DAVENPORT. It will not take me long to ask one. I understood the Judge to say that in the State of Texas there were some 12,000 miles of railroad.

Mr. COWAN. Almost.

Mr. DAVENPORT. In that State you have a Commission which fixes rates, and I understood you to say that the rates on interstate traffic for the same number of miles were more than those prescribed by the Interstate Commerce Commission?

Mr. COWAN. That was on cattle.

Mr. DAVENPORT. That originally the State commission fixed the rate at the same figure as the interstate rate?

Mr. COWAN. I did not quite say that. They fixed the live-stock rate for a 500-mile haul at something below the interstate rate for a similar haul.

Mr. DAVENPORT. You have a pretty good railroad commission in your State, have you not?

Mr. COWAN. We think so.

Mr. DAVENPORT. Is Judge Regan still connected with it?

Mr. COWAN. No, sir; he has retired.

Mr. DAVENPORT. Therefore, the owners of this property might reasonably expect such treatment from the interstate commission as they have received from the State commission?

Mr. COWAN. If they do their duty.

Mr. DAVENPORT. Commencing with 1898, the railroad companies were permitted to raise, or did raise, their rates on cattle. They did it, you say, upon the claim that the cost of operating the railroads had increased.

Mr. COWAN. No; I did not say they did it on that claim.

Mr. DAVENPORT. It is generally understood so. I want to ask you this question, Judge: Were there any other State rates, domestic rates, increased?

Mr. COWAN. Not at all.

Mr. DAVENPORT. Were they allowed to be increased?

Mr. COWAN. Nobody tried to increase them, and nobody tried to prevent the Texas commission rates from remaining in effect.

Mr. DAVENPORT. That is to say, that the owners of this property, operating 12,000 miles of road in the State of Texas, with the supposed increase of a large percentage in operating expenses, did not have the courage, or at any rate the confidence, to apply to your commission to have an advance in these domestic rates?

Mr. COWAN. Oh, yes; they applied to the commission to raise the rates.

Mr. DAVENPORT. Did they obtain it?

Mr. COWAN. Oh, no.

Mr. DAVENPORT. So that we may expect hereafter, if you have a commission of this character and there is an increase in the operating expenses of these roads, that they may not have the opportunity to raise the rates; is that so?

Now, gentlemen, they may be right about this. I am not going to say they are not, because I am not railroad man enough to say whether they are right or wrong; but I say this, that the ordinary layman, the ordinary cattleman, can not understand this one fact, for if we had to pay the railroads \$65 per car from Amarillo common points to Belle-fourche common points, and that rate was satisfactory, then \$100 per car to-day is too much.

Senator MILLARD. Do you recollect the distance between those points?

Mr. MACKENZIE. Not exactly. I think the shortest cut is about 800 miles.

Senator FOSTER. How many head of cattle do you put in each car?

Mr. MACKENZIE. From 30 to 40, if they are two-year-old steers.

Senator DOLLIVER. Have you calculated what that rate would be by the hundred pounds?

Mr. MACKENZIE. No, sir; we did not weigh them. The cattle from Texas are shipped out in the spring, when they are very poor, to the northern ranges.

Senator DOLLIVER. Is feeding included in the transit rate?

Mr. MACKENZIE. No, sir; there is no such thing as a transit rate in the North. We do not ship the cattle over the same roads. We ship from Dakota over the Santa Fe, the Rock Island, the Fort Worth and Denver, and the Burlington lines, and they are shipped out east by the St. Paul, the Northwestern, the Great Northern, or the Northern Pacific. So that the one road had no connection with another.

Senator CLAPP. I think you did not understand Senator Dolliver's question. Does this include feeding in transit?

Mr. MACKENZIE. No, sir. You can not get that unless you get a continuation on the same road, and if you got that it would cost you more than the feed in transit.

Senator MILLARD. That is, the shipper pays the expense of loading and unloading?

Mr. MACKENZIE. In Texas they pay the expenses of the feeding on the road. In Colorado and in nearly all the other States the shipper has to load his own cattle. In Texas we do not.

Senator CARMACK. Do not the railroads claim that the cost of operation has absolutely increased?

Mr. MACKENZIE. They claim that, but we do not believe it. I think Mr. Cowan will tell you—and he knows more about it than I do—that if you take all the freight that is carried over the roads, the rate per ton-mile, the expense per ton-mile, is no greater to-day than it was at the time we were getting our cattle hauled at \$65 per car.

Senator CARMACK. Because they carry so much more freight?

Mr. MACKENZIE. The traffic is more dense and the facilities are greater for hauling cattle. The engines are heavier and can haul more cars. I think Mr. Cowan will show you without any trouble that, taking the traffic altogether, the cost per ton-mile, which is the only basis you can figure on, is not any greater now than it was when we got cattle hauled at \$65.

Senator DOLLIVER. Have you made any calculation as to what this rate is per ton-mile?

Mr. MACKENZIE. I could give it to you, but I haven't it now. I think Mr. Cowan can give it to you now. I am not in a position to give it myself, at this moment.

Senator DOLLIVER. Judge Cowan, if you will make that calculation I would like it.

Mr. COWAN. I can procure it, but I haven't it here. None of these rates are fixed on that basis.

Mr. MACKENZIE. They are not fixed at so much per hundredweight. They are fixed at the rate of \$100 per car.

Senator CARMACK. The point I want you to elucidate, if possible, is the question of justification of increased rates by reason of increased cost of railroad operation.

Mr. COWAN. Mr. Mackenzie is not familiar with that.

Senator MILLARD. How many times are the cattle unloaded in that distance?

Mr. MACKENZIE. They are unloaded twice; that is, we feed them twice if we get a good run. I ship my own cattle and unload but once. But the service is so poor now that if we get them to their destination by feeding twice we are in luck. There is no reason in the world why cattle should not be hauled 800 miles with one feeding, but if you get service that will only give you 10 or 12 miles an hour, you can not make it. That is what we are subjected to. We not only have to pay our rates, but they have given us service to please themselves. They must have the tonnage. The cattlemen demand a service of 18 to 20 miles an hour, and that is not excessive. I do not think there is a man in the railroad business who will say to you here that the demand of the cattlemen of 18 miles an hour is at all excessive.

Senator DOLLIVER. Is there any proposition pending anywhere to regulate the speed of railway trains? Is that included in any pending bills?

Mr. MACKENZIE. I think so. Isn't that so, Mr. Cowan?

Mr. COWAN. No, sir; I don't think it is.

Mr. MACKENZIE. At any rate, we feel that our goods are perishable, and we feel that we have the right to decent service. We do not feel that we should be sidetracked, any more than the people who ship vegetables and other green goods, while a fruit train from California passes us. We feel strongly that the railroads have come into such combination that they can treat us just as they please.

Now, gentlemen, I have touched on the rate to Dakota, and now I am going to give you a little history of the rate to Kansas City from the same points. Prior to 1898 we paid \$62.50 per car. In 1896 they changed the rate from dollars per car to cents per hundredweight. In doing this the railroads suggested that it was only fair to our cattle people to pay so many cents per hundredweight, and we agree with them, but in doing this they made the minimum car load rate 22,000 pounds.

Senator DOLLIVER. What is the rate per hundredweight?

Mr. MACKENZIE. At that time it was 28 cents—that is, they figured it at 28 cents. The rate per car was \$62.50, and in finding the rate per hundredweight they divided the \$62.50 by 22,000 pounds instead of by 25,000, that being the weight that a car can carry. If they had divided the \$62.50 by 25,000 pounds the rate per hundredweight would have been that much less. If we put in a full carload of steers weighing 25,000 pounds we have to pay the difference between 22,000 pounds and 25,000 pounds at the rate of 20 cents per hundredweight. In other words, they raise our rates, by one stroke of the pen, about \$8 or

\$10 per car. We can prove that we can put in 25 steers weighing 25,000 pounds. Of course we can not put in the same weight of cows, but we don't object to paying the \$62.50 for the cows, even if they do not have the weight.

Senator DOLLIVER. What is the distance to Kansas City?

Mr. MACKENZIE. About 550 miles. We do not object to paying \$62.50 for the cows, even if we could not put in the weight; but we do object to their making us pay that much extra for 3,000 pounds when we are compelled to put in that much weight to load the car properly. It is just as injurious to cattle to underload them as it is to overload them. Cattle must be properly loaded, otherwise they will be damaged.

When they raised our rate to 28 cents per hundredweight the rate was \$70 per car of 25,000 pounds, and they tried to make us believe at the same time they were giving us the same rate as before.

At the beginning of 1900 they raised the rates to 31½ cents per hundredweight, making the rate per car \$28.75. In 1903 they raised our rate to 34½ cents, making the per-car rate \$86.26 on 25,000 pounds, and making a total increase of \$23.75 on a carload of steers. It does not show so badly on cows, because, as a rule, cows weigh 22,500 per carload, but the increase during the three years in carrying carloads of cattle from Amorillo common points to market is \$18.30.

Senator DOLLIVER. Was that matter ever presented to the Interstate Commerce Commission?

Mr. MACKENZIE. Yes, sir. We have it before them now.

Senator DOLLIVER. According to your statement that has been going on for a long time.

Mr. MACKENZIE. Yes, sir; we tried one case before the courts and we had to retry it. We brought suit before the Commission in February last year, and we tried the case for five weeks—two weeks at Fort Worth at different times, for one week in Chicago, one week in St. Louis, and one week in Denver.

Senator DOLLIVER. Has there been any abuse in the cattle country of railroads giving secret rates to favored shippers?

Mr. MACKENZIE. Prior to the dates I have given you here they were very anxious to get the business at \$62.50 and give from \$10 to \$12 rebate. That was in the days when there was competition. We have no competition now.

Senator DOLLIVER. In other words, the rebate has been abolished?

Mr. MACKENZIE. The rebate has been abolished, so far as we know.

Senator DOLLIVER. Competition took the form of rebates, as a rule.

Mr. MACKENZIE. But, Senator, who got the rebates? The rebates went into the pockets of the railroads, and they were just getting that much more. They have never done away with that.

Senator DOLLIVER. What do you mean by the rebate going into the pockets of the railroads?

Mr. MACKENZIE. They made the provision in fixing the rate at \$62.50 that they had to give us certain rebates.

Senator DOLLIVER. Did they charge anybody \$62.50?

Mr. MACKENZIE. That was the published rate.

Senator DOLLIVER. But did they charge anybody that?

Mr. MACKENZIE. Oh, yes; lots of them.

Senator DOLLIVER. So that these people who had rebate contracts had that discrimination in their favor?

Mr. MACKENZIE. Yes, sir; that is what we kick about. Instead of putting down the rates when the rebates were stopped, and giving all the shippers the benefit, they put up the rates.

Senator DOLLIVER. They have not put them any higher than the original published rates?

Mr. MACKENZIE. Yes, sir; they have raised them from 28 cents to 34½ cents in five or six years.

Senator DOLLIVER. Not only are the rebates gone, but the old rates are gone?

Mr. MACKENZIE. Yes, sir; and they are charging us more, while the service is poorer. They will not haul trains for us unless they get the tonnage that the engine is rated for.

Senator DOLLIVER. They will not start the train?

Mr. MACKENZIE. They will start it, but you will be sorry when they have gone a piece that it was started.

Senator DOLLIVER. Is there anybody that expects to see restored the old short time and fast trains in the railroad freight business?

Mr. MACKENZIE. We don't expect to get small trains and fast time, but we expect trains that will go at a reasonable rate.

Senator DOLLIVER. What is the occasion of the delay of these long trains?

Mr. MACKENZIE. A short time ago, last fall, I had a shipment from Texas that went to Kansas City. I went with it myself a certain part of the road, and when I got to Delhart the Rock Island people told me that they hadn't a sufficient tonnage to send me out; that we would have to unload the cattle. That was 25 miles from where I started. I had to unload the cattle in order to let them get their proper tonnage.

Senator DOLLIVER. How long did this make you wait?

Mr. MACKENZIE. They didn't make me wait at all when I told them who I was. They sent me on, but they delayed me on the road, I think it was twelve or fifteen hours, loading cattle. I gave special instructions and specific instructions that those cattle should not be unloaded, because in twenty-eight hours they can be taken to market with a reasonable run. They kept me on the road while they were switching and doing one thing or another until they got to Herrington, Kans., within seven hours of the market. I left my man with the cattle, going on to Kansas City myself, and they told him that the Humane Society wouldn't allow him to send on the cattle, because the twenty-eight hours had expired. He was helpless, and so the cattle were brought up to the pen to unload. That was 8 o'clock at night, and at 10 the next morning the cattle were taken off the cars to be fed. The Humane Society was in bed all this time and paid no attention to them.

Senator DOLLIVER. Have you now no remedy at law?

Mr. MACKENZIE. I have; but it is a hardship for every little cattleman to have to go to law with a corporation, and not one corporation only, for they all join in fighting us, and it would cost me more and cost a little cattleman more, if he was in the same position as myself, to fight those people than the cattle were worth.

What we want is this, gentlemen. We want protection from the law; we want protection from the Interstate Commerce Commission, that they shall be empowered to regulate this matter, not only so far as rates are concerned, but to regulate the service we are entitled to, and

that we shall get it. The cattlemen lose more money in poor service than in any other way that cattle are handled.

Let me just point out for a moment some facts. I am getting a little past what I intended to say, because there are new points coming up. Those cattle of mine should be in Kansas City in twenty-eight hours. If cattle are kept on the road for twenty-four hours longer than that the shrinkage is all the way from 25 to 40 pounds per head. The railroads themselves allow 20 pounds, but we do not admit that it is ever as low as 20 pounds. In fact, we know that it is not. But take it at 25 pounds, which is only 5 pounds more than they claim, and yet if they come within that much of telling the truth it is more than we have known for a long time. Take it at 25 pounds, and deduct that from the weight of a steer that will sell for \$4.50 per hundred, and you will see that we lose a little over \$1 a head on every steer we ship to market.

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Mr. MACKENZIE. We know that we are paying too much. We have had several meetings with the railroad people. We had one, I recollect, in St. Louis, to which Mr. Cowan referred yesterday, where we spent \$500 in getting up a statement of rates to show the railroads the inequalities from certain points for the same service. I cited to them one particular case where they charged us 31½ cents per hundred-weight for hauling cattle from Amarillo common-point stations to Kansas City, 500 miles. We made this comparison in order to show the railroads that while they were giving us this rate, for the same service of 500 miles to Kansas City they were charging cattlemen from Las Animas, Colo., 23½ cents.

After discussing the matter for a long time, half a day, they admitted that we were right, that we had some grievances, and promised to take the matter under advisement. This meeting was held in the office of the Southwestern Traffic Association, and I think we had sixteen or seventeen traffic men along with us discussing the matter. Some time thereafter we heard from those gentlemen, and they told us that after con-

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Mr. MACKENZIE. I will tell you about that. We had a conference with the railroad people in Chicago last February. We had this very matter before them, and the traffic managers of those roads admitted to us that the service was not satisfactory to themselves, and they did give us better service for a short time, and then went back to the old trouble.

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Mr. MACKENZIE. Not in recent years.

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Mr. MACKENZIE. Yes; but we feel that it was too high.

The CHAIRMAN. Your complaint is that it was too high?

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Mr. MACKENZIE. Yes; for the same service.

The CHAIRMAN. For the same distance?

Mr. MACKENZIE. Yes; unless the railroads can show us that it costs them more to haul from Texas than from Colorado, and I don't believe they can do that.

The CHAIRMAN. Colorado is 800 miles from Amarillo?

Mr. MACKENZIE. But they do not go the same way.

The CHAIRMAN. I know that whole country. What I wanted to get is your complaint, and that is that the Texas rate—no matter about any other rate—was too high?

Mr. MACKENZIE. Yes, sir.

The CHAIRMAN. To your knowledge have there been any discriminations or rebates granted of recent years in Texas?

Mr. MACKENZIE. Not in the last two or three years.

The CHAIRMAN. In the last five or ten years?



Mr. COWAN. I do not know that it is. The increase of operating expenses as a whole and the increase of operating expenses in proportion to gross earnings are two entirely different propositions.

Mr. DAVENPORT. Are you not familiar enough with the statistics before this committee, showing the percentage of gross earnings or gross revenues to operating expenses, to know that they were higher in 1903 and much higher than in the previous years?

Mr. COWAN. On what railroads?

Mr. DAVENPORT. On all the railroads of the country.

Mr. COWAN. Oh, no. There are no such statistics, in the first place.

The CHAIRMAN. Let me state to you, Mr. Davenport, that Judge Cowan has made his statement, and we can not allow a controversy between different sides.

Mr. DAVENPORT. I understand that.

The CHAIRMAN. You can have an opportunity hereafter to make your statement and I think it would be better to answer Judge Cowan's arguments then. We can not allow any controversy between different interests here. I thought one question might elucidate the subject.

Mr. COWAN. If permitted by the committee, I will say as to the operating expenses of a railroad, as figured out and compared to gross earnings, or net earnings compared to gross earnings, every man familiar with railroad accounts knows that that is simply a matter of bookkeeping. The same principles are not adopted and carried into practical effect in the same way by any two lines. You will find that the Gulf and Santa Fe in Texas, by its annual report—and this is an illustration which answers the whole question—for the year ending June 30, 1903, shows an expenditure of \$1,505 per mile for the maintenance of way and structures charged into operating expenses.

The chairman, being a railroad builder, knows that no such normal or legitimate operating expenses for that purpose could exist. The average of the Atchison, Topeka and Santa Fe for ten years was only about one half of that. I know that there were betterments and improvements embraced in the accounts, and I proved it by the engineer of the railroad commission. That is simply an example showing why you can not make a general statement deduced from particular statistics. You have got to get down to the individual roads and find their different items, and then you will soon see that they can make them as they please.

Mr. DAVENPORT. Are you aware that ties cost 45 cents each in 1898, that they advanced to 55 cents in 1902, went to 60 cents in 1903, and are now 62 cents?

Mr. COWAN. What particular ties are you talking about? In the first place the best ties are entirely too high. In the second place the ties in our country sell for very much less. I think they can be laid on the track at 35 cents, and you can put them in at 44 cents—ties that have been creosoted. That has been the case for the last twelve or fifteen years.

Mr. DAVENPORT. Are you aware that fuel expenses for locomotives alone jumped from \$72,000,000 in 1893 to \$120,000,000 in the period from 1893 to 1902?

Mr. COWAN. In respect of the matter of fuel, you have got to take a particular line of road. The price of fuel on some lines has increased, *but, mind you, the amount of fuel increases and the volume of the*

traffic increases, and the fuel man gets larger prices. But if you represent any people who own stocks and bonds in the Gulf and Santa Fe road, I can tell you that the fuel account has diminished instead of increased. You have got to take each particular road. The fuel account of the Southern Pacific in Texas and all those roads that burn oil has been cut in half, and they do not give the shipper any benefit whatever.

SATURDAY, *January 28, 1905.*

### STATEMENT OF MURDO MACKENZIE.

MR. MACKENZIE. Mr. Chairman and members of the committee, I do not want to detain you very long, but I would like to lay a few matters before you in connection with our business.

Mr. Cowan and myself were appointed by the cattle raisers of the West—I may say the stock raisers of the West—to come here and meet the committees of both the Senate and the House and explain to them, as far as lay in our power, the difficulties under which we are now working.

The reason why we did not have the larger delegation here is that we do not want to intrude too much on the committees or put in too much evidence. We thought if one or two people were appointed who knew the exact situation it would be more satisfactory to you than to have a great deal of rambling evidence that you would have to sift out to get what was worth looking at. For that reason the cattle raisers unanimously directed Mr. Cowan to appear here, as he is a man who has made a study of this for years. He knows our wants, and he can tell you in fewer words what our requirements are better than if we had a thousand people here. I only want to take a few minutes of your time, and then I will pass on to a few points I want to bring before you. But I want to impress upon you that Mr. Cowan is representing the stock raisers. He knows what their requirements are, and he can tell you about them. He is not extravagant in his demands. The cattlemen want what is right. If we did not want that I do not think we would come here to take your time.

The first point I want to bring before you is the increase in rates from Texas common points—say the Amarillo group of stations—to Dakota, and show you the difference between the rates charged us in 1896 and prior and the rates charged us to-day.

For one year we got our cattle hauled from Texas to Bellefourche and Bellefourche group of stations for \$55 per car. I do not want to make any point about that, because it was in the nature of strong competition. At any rate, the railroads wanted the business at that rate. Next year they came to us and asked us if we would not agree to raise the rate to \$65 per car; that if we would agree to give them \$65 the rate should be satisfactory to us and that it would be perfectly satisfactory to them. That was a paying rate. This state of affairs continued—

Senator FOSTER. What year was that?

MR. MACKENZIE. That was in 1890, if I remember well. This state of affairs continued up until 1898. In 1899 they increased our rate, and from year to year continued increasing our rate, until to-day we are paying them \$100 per car.

Now, gentlemen, they may be right about this. I am not going to say they are not, because I am not railroad man enough to say whether they are right or wrong; but I say this, that the ordinary layman, the ordinary cattleman, can not understand this one fact, for if we had to pay the railroads \$65 per car from Amarillo common points to Belle-fourche common points, and that rate was satisfactory, then \$100 per car to-day is too much.

Senator MILLARD. Do you recollect the distance between those points?

Mr. MACKENZIE. Not exactly. I think the shortest cut is about 800 miles.

Senator FOSTER. How many head of cattle do you put in each car?

Mr. MACKENZIE. From 30 to 40, if they are two-year-old steers.

Senator DOLLIVER. Have you calculated what that rate would be by the hundred pounds?

Mr. MACKENZIE. No, sir; we did not weigh them. The cattle from Texas are shipped out in the spring, when they are very poor, to the northern ranges.

Senator DOLLIVER. Is feeding included in the transit rate?

Mr. MACKENZIE. No, sir; there is no such thing as a transit rate in the North. We do not ship the cattle over the same roads. We ship from Dakota over the Santa Fe, the Rock Island, the Fort Worth and Denver, and the Burlington lines, and they are shipped out east by the St. Paul, the Northwestern, the Great Northern, or the Northern Pacific. So that the one road had no connection with another.

Senator CLAPP. I think you did not understand Senator Dolliver's question. Does this include feeding in transit?

Mr. MACKENZIE. No, sir. You can not get that unless you get a continuation on the same road, and if you got that it would cost you more than the feed in transit.

Senator MILLARD. That is, the shipper pays the expense of loading and unloading?

Mr. MACKENZIE. In Texas they pay the expenses of the feeding on the road. In Colorado and in nearly all the other States the shipper has to load his own cattle. In Texas we do not.

Senator CARMACK. Do not the railroads claim that the cost of operation has absolutely increased?

Mr. MACKENZIE. They claim that, but we do not believe it. I think Mr. Cowan will tell you—and he knows more about it than I do—that if you take all the freight that is carried over the roads, the rate per ton-mile, the expense per ton-mile, is no greater to-day than it was at the time we were getting our cattle hauled at \$65 per car.

Senator CARMACK. Because they carry so much more freight?

Mr. MACKENZIE. The traffic is more dense and the facilities are greater for hauling cattle. The engines are heavier and can haul more cars. I think Mr. Cowan will show you without any trouble that, taking the traffic altogether, the cost per ton-mile, which is the only basis you can figure on, is not any greater now than it was when we got cattle hauled at \$65.

Senator DOLLIVER. Have you made any calculation as to what this rate is per ton-mile?

Mr. MACKENZIE. I could give it to you, but I haven't it now. I think Mr. Cowan can give it to you now. I am not in a position to *give it myself*, at this moment.

Senator DOLLIVER. Judge Cowan, if you will make that calculation I would like it.

Mr. COWAN. I can procure it, but I haven't it here. None of these rates are fixed on that basis.

Mr. MACKENZIE. They are not fixed at so much per hundredweight. They are fixed at the rate of \$100 per car.

Senator CARMACK. The point I want you to elucidate, if possible, is the question of justification of increased rates by reason of increased cost of railroad operation.

Mr. COWAN. Mr. Mackenzie is not familiar with that.

Senator MILLARD. How many times are the cattle unloaded in that distance?

Mr. MACKENZIE. They are unloaded twice; that is, we feed them twice if we get a good run. I ship my own cattle and unload but once. But the service is so poor now that if we get them to their destination by feeding twice we are in luck. There is no reason in the world why cattle should not be hauled 800 miles with one feeding, but if you get service that will only give you 10 or 12 miles an hour, you can not make it. That is what we are subjected to. We not only have to pay our rates, but they have given us service to please themselves. They must have the tonnage. The cattlemen demand a service of 18 to 20 miles an hour, and that is not excessive. I do not think there is a man in the railroad business who will say to you here that the demand of the cattlemen of 18 miles an hour is at all excessive.

Senator DOLLIVER. Is there any proposition pending anywhere to regulate the speed of railway trains? Is that included in any pending bills?

Mr. MACKENZIE. I think so. Isn't that so, Mr. Cowan?

Mr. COWAN. No, sir; I don't think it is.

Mr. MACKENZIE. At any rate, we feel that our goods are perishable, and we feel that we have the right to decent service. We do not feel that we should be sidetracked, any more than the people who ship vegetables and other green goods, while a fruit train from California passes us. We feel strongly that the railroads have come into such combination that they can treat us just as they please.

Now, gentlemen, I have touched on the rate to Dakota, and now I am going to give you a little history of the rate to Kansas City from the same points. Prior to 1898 we paid \$62.50 per car. In 1896 they changed the rate from dollars per car to cents per hundredweight. In doing this the railroads suggested that it was only fair to our cattle people to pay so many cents per hundredweight, and we agree with them, but in doing this they made the minimum car load rate 22,000 pounds.

Senator DOLLIVER. What is the rate per hundredweight?

Mr. MACKENZIE. At that time it was 28 cents—that is, they figured it at 28 cents. The rate per car was \$62.50, and in finding the rate per hundredweight they divided the \$62.50 by 22,000 pounds instead of by 25,000, that being the weight that a car can carry. If they had divided the \$62.50 by 25,000 pounds the rate per hundredweight would have been that much less. If we put in a full carload of steers weighing 25,000 pounds we have to pay the difference between 22,000 pounds and 25,000 pounds at the rate of 20 cents per hundredweight. In other words, they raise our rates, by one stroke of the pen, about \$8 or

\$10 per car. We can prove that we can put in 25 steers weighing 25,000 pounds. Of course we can not put in the same weight of cows, but we don't object to paying the \$62.50 for the cows, even if they do not have the weight.

Senator DOLLIVER. What is the distance to Kansas City?

Mr. MACKENZIE. About 550 miles. We do not object to paying \$62.50 for the cows, even if we could not put in the weight; but we do object to their making us pay that much extra for 3,000 pounds when we are compelled to put in that much weight to load the car properly. It is just as injurious to cattle to underload them as it is to overload them. Cattle must be properly loaded, otherwise they will be damaged.

When they raised our rate to 28 cents per hundredweight the rate was \$70 per car of 25,000 pounds, and they tried to make us believe at the same time they were giving us the same rate as before.

At the beginning of 1900 they raised the rates to 31½ cents per hundredweight, making the rate per car \$28.75. In 1903 they raised our rate to 34½ cents, making the per-car rate \$86.26 on 25,000 pounds, and making a total increase of \$23.75 on a carload of steers. It does not show so badly on cows, because, as a rule, cows weigh 22,500 per carload, but the increase during the three years in carrying carloads of cattle from Amorillo common points to market is \$18.30.

Senator DOLLIVER. Was that matter ever presented to the Interstate Commerce Commission?

Mr. MACKENZIE. Yes, sir. We have it before them now.

Senator DOLLIVER. According to your statement that has been going on for a long time.

Mr. MACKENZIE. Yes, sir; we tried one case before the courts and we had to retry it. We brought suit before the Commission in February last year, and we tried the case for five weeks—two weeks at Fort Worth at different times, for one week in Chicago, one week in St. Louis, and one week in Denver.

Senator DOLLIVER. Has there been any abuse in the cattle country of railroads giving secret rates to favored shippers?

Mr. MACKENZIE. Prior to the dates I have given you here they were very anxious to get the business at \$62.50 and give from \$10 to \$12 rebate. That was in the days when there was competition. We have no competition now.

Senator DOLLIVER. In other words, the rebate has been abolished?

Mr. MACKENZIE. The rebate has been abolished, so far as we know.

Senator DOLLIVER. Competition took the form of rebates, as a rule.

Mr. MACKENZIE. But, Senator, who got the rebates? The rebates went into the pockets of the railroads, and they were just getting that much more. They have never done away with that.

Senator DOLLIVER. What do you mean by the rebate going into the pockets of the railroads?

Mr. MACKENZIE. They made the provision in fixing the rate at \$62.50 that they had to give us certain rebates.

Senator DOLLIVER. Did they charge anybody \$62.50?

Mr. MACKENZIE. That was the published rate.

Senator DOLLIVER. But did they charge anybody that?

Mr. MACKENZIE. Oh, yes; lots of them.

Senator DOLLIVER. So that these people who had rebate contracts had that discrimination in their favor?

Mr. MACKENZIE. Yes, sir; that is what we kick about. Instead of putting down the rates when the rebates were stopped, and giving all the shippers the benefit, they put up the rates.

Senator DOLLIVER. They have not put them any higher than the original published rates?

Mr. MACKENZIE. Yes, sir; they have raised them from 28 cents to 34½ cents in five or six years.

Senator DOLLIVER. Not only are the rebates gone, but the old rates are gone?

Mr. MACKENZIE. Yes, sir; and they are charging us more, while the service is poorer. They will not haul trains for us unless they get the tonnage that the engine is rated for.

Senator DOLLIVER. They will not start the train?

Mr. MACKENZIE. They will start it, but you will be sorry when they have gone a piece that it was started.

Senator DOLLIVER. Is there anybody that expects to see restored the old short time and fast trains in the railroad freight business?

Mr. MACKENZIE. We don't expect to get small trains and fast time, but we expect trains that will go at a reasonable rate.

Senator DOLLIVER. What is the occasion of the delay of these long trains?

Mr. MACKENZIE. A short time ago, last fall, I had a shipment from Texas that went to Kansas City. I went with it myself a certain part of the road, and when I got to Delhart the Rock Island people told me that they hadn't a sufficient tonnage to send me out; that we would have to unload the cattle. That was 25 miles from where I started. I had to unload the cattle in order to let them get their proper tonnage.

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Mr. MACKENZIE. Yes; unless the railroads can show us that it costs them more to haul from Texas than from Colorado, and I don't believe they can do that.

The CHAIRMAN. Colorado is 800 miles from Amarillo?

Mr. MACKENZIE. But they do not go the same way.

The CHAIRMAN. I know that whole country. What I wanted to get is your complaint, and that is that the Texas rate—no matter about any other rate—was too high?

Mr. MACKENZIE. Yes, sir.

The CHAIRMAN. To your knowledge have there been any discriminations or rebates granted of recent years in Texas?

Mr. MACKENZIE. Not in the last two or three years.

The CHAIRMAN. In the last five or ten years?



Mr. MACKENZIE. Lots of them.

The CHAIRMAN. To what law do you attribute that; is not the Texas law a good law?

Mr. MACKENZIE. The Texas law is a good law, but that can not affect interstate commerce.

The CHAIRMAN. But, as I understand, there have been no discriminations or rebates granted in the State of Texas per se within ten years?

Mr. MACKENZIE. Oh, yes; under the interstate-commerce law. If we had the Texas law the railroads couldn't treat us the way they do.

The CHAIRMAN. I know there have been no rebates in Texas in the past five years, but the law of Texas is no more speedy in its operation than our law.

Mr. MACKENZIE. No; but the Texas commission has the power to say what a fair rate is.

### STATEMENT OF MR. CHARLES H. CROCKER.

Mr. Charles H. Crocker appeared with Mr. A. C. Rulofson, both being merchants of San Francisco and representing the Manufacturers and Producers' Association of California, and presented the following resolutions:

SAN FRANCISCO, January 19, 1905.

To all whom it may concern:

This is to certify that Mr. Charles H. Crocker was duly appointed at a meeting of the board of directors of the Manufacturers and Producers' Association, held January 19, 1905, as a delegate to proceed to Washington, D. C., for the purpose of urging upon Congress the disadvantages to the business interests of the Pacific coast of any legislation which shall give the Interstate Commerce Commission the arbitrary right to make rates.

[SEAL.]

MANUFACTURERS AND PRODUCERS' ASSOCIATION OF CALIFORNIA.  
E. GARDINER, *Secretary*.

*Preamble and resolutions adopted by the board of directors of the Manufacturers and Producers' Association of California January 19, 1905.*

Whereas the present welfare of the manufacturers, producers, wholesalers, and jobbers of the Pacific coast, and the future growth and development of their various and varied business interests depend largely upon a system of rate making by the transcontinental railroads, by which the terminal rate, to which the jobbing and manufacturing cities of the coast are justly entitled by reason of water competition, is recognized; and

Whereas determined effort has been made in the past by the manufacturers, producers, wholesalers, and jobbers of other sections to do away with said terminal rates to Pacific coast cities, and substitute therefor a system of rates based on distance or mileage, ignoring water competition; and

Whereas the assistance rendered the manufacturers, wholesalers, and jobbers of the Pacific coast by the transcontinental railroads in combating said effort to establish rates based on distance or mileage satisfies us that the interests of the coast will be best served by leaving the authority to make rates where it now is, in the hands of the carriers who are familiar with the exceptional conditions on the Pacific coast and the Northwest, subject to review by the Interstate Commerce Commission upon complaint of the shipper who feels that a given rate is wrong: Now, therefore be it

*Resolved*, That the Manufacturers and Producers' Association of California, while expressing the highest respect for and confidence in, personally and collectively, the members of the Interstate Commerce Commission, respectfully protest against any legislation whereby said Commission would be given the arbitrary right to make rates, as inexpedient and not to the advantage of business interests of this community, and that we recommend in lieu thereof that the Commission be increased to seven members, and that in view of the vast commercial interests involved and the differences governing transportation on the Pacific coast and in the Northwest, that the two new members thus added to the Commission should be appointed one from the

Pacific coast and one from the Northwest, so that all geographical sections of the country would be represented. And be it further

*Resolved*, That the law under which the Commission is at present operating is, in our judgment, a proper one, if proper measures are taken to expedite the hearing of cases upon appeal, which would contemplate the establishment of a court of transportation whose decision would be final except in cases where the constitutionality of the decree was questioned.

MANUFACTURERS AND PRODUCERS' ASSOCIATION OF CALIFORNIA,  
A. SCARBORO, *President*,  
E. GOODWIN, *Secretary*.

Mr. CROCKER. Since our departure from San Francisco those resolutions have been concurred in. They are simply the recommendation of the body we represent as to the fact that we think that the interstate commerce law in its present condition is ample if properly enforced.

The CHAIRMAN. That is the resolution of your body?

Mr. CROCKER. That is the resolution of your body.

Senator DOLLIVER. What is your body?

Mr. CROCKER. The Manufacturers and Producers' Association of California.

Senator DOLLIVER. And does that include fruit people?

Mr. CROCKER. A large number of fruit people are members of our association, which takes in all lines of trade. Since our departure these resolutions have been concurred in by two other bodies, the Merchants' Association and the Board of Trade.

The CHAIRMAN. Those resolutions will be printed at length in the report of this hearing. Is that all you want?

Mr. CROCKER. There is also a recommendation that the Interstate Commerce Commission be increased to seven in number and that representation upon it be given to the Pacific coast if there is to be a member from the West. That is all.

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#### RESOLUTIONS OF THE MERCHANTS' ASSOCIATION OF SAN FRANCISCO, CAL.

Mr. A. C. RULOFSON appeared before the committee January 31, 1905, and submitted the following:

SAN FRANCISCO, CAL., *January 26, 1905.*

Mr. CHARLES H. CROCKER and Mr. A. C. RULOFSON,  
*New Willard Hotel, Washington, D. C.*

DEAR SIR: At a special meeting of the directors of the Merchants' Association held in this city on the 20th instant, the resolutions adopted by the Manufacturers and Producers' Association in regard to the enlargement of the powers of the Interstate Commerce Commission were unanimously indorsed, with the exception that in the fourth and fifth lines of the first paragraph of the resolutions proper the board amended the wording to read as follows: "Respectfully urges that no legislation be adopted whereby," etc. And I am instructed to inform you that the committee of the Manufacturers and Producers' Association, consisting of yourselves and Mr. Frank L.

Brown, is authorized to represent the wishes of the Merchants' Association in this matter at Washington, if it is your pleasure to do so.

Very truly, yours,

F. M. TODD,  
*Acting Secretary, Merchants' Association.*

*Resolutions adopted by the board of directors of the Merchants' Association of San Francisco at a meeting held January 20, 1905.*

Whereas the present welfare of the manufacturers, producers, wholesalers, and jobbers of the Pacific coast and the future growth and development of their various and varied business interests depend largely upon a system of rate making by the transcontinental railroads, by which the terminal rate to which the jobbing and manufacturing cities of the coast are justly entitled by reason of water competition is recognized; and

Whereas determined effort has been made in the past by the manufacturers, producers, wholesalers, and jobbers of other sections to do away with said terminal rates to Pacific coast cities, and substitute therefor a system of rates based on distance or mileage, ignoring water competition; and

Whereas the assistance rendered the manufacturers, wholesalers, and jobbers of the Pacific coast by the transcontinental railroads in combating said effort to establish rates based on distance or mileage satisfies us that the interests of the coast will be best served by leaving the authority to make rates where it now is—in the hands of the carriers, who are familiar with the exceptional conditions on the Pacific coast and the Northwest, subject to review by the Interstate Commerce Commission upon complaint of the shipper who feels that a given rate is wrong; now, therefore, be it

*Resolved*, That the Merchants' Association of San Francisco, while expressing the highest respect for and confidence in, personally and collectively, the members of the Interstate Commerce Commission, respectfully urges that no legislation be adopted whereby said Commission would be given the arbitrary right to make rates, as inexpedient and not to the advantage of business interests of this community, and that we recommend in lieu thereof that the Commission be increased to seven members, and that in view of the vast commercial interests involved and the differences governing transportation on the Pacific coast and in the Northwest, that the two new members thus added to the Commission should be appointed one from the Pacific coast and one from the Northwest, so that all geographical sections of the country would be represented; and be it further

*Resolved*, That the law under which the Commission is at present operating is, in our judgment, a proper one, if proper measures are taken to expedite the hearing of cases upon appeal, which would contemplate the establishment of a court of transportation, whose decision would be final except in cases where the constitutionality of the decree was questioned.

THE MERCHANTS' ASSOCIATION OF SAN FRANCISCO,  
FRANK J. SYMMES, *President*.  
L. M. KING, *Secretary*.

SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Wednesday, February 1, 1905.*

**STATEMENT OF MR. JAMES J. HOOKER.**

Senator DOLLIVER (in the chair). Please state your name, your residence, and whom you represent.

Mr. HOOKER. My name is James J. Hooker; I reside at Cincinnati, and I am chairman of the committee to appear before you to represent the Receivers and Shippers' Association of Cincinnati.

Mr. Chairman and Senators, I appreciate the difficulty of advancing any new thoughts not already brought out in the discussion, either in the press or before the House committee. Through the press we have been informed of the visits of various railroad presidents to Washington to lay before you or the House committee the dangerous and awful consequences that will follow the attempt to clothe the Interstate Commerce Commission with power to reform abuses and rates. It is not my purpose to go into the subject of rebates, private car lines, private switches, or damage allowances. These abuses must go, and will go, and there can be very little effective opposition to remedial legislation. Therefore I shall only speak of the necessity of legislation that will clothe the Interstate Commerce Commission with power to fix reasonable rates, rules, or regulations when these are found unreasonable, and make the decisions of the Commission effective and in force until revised, if need be, by some judicial tribunal.

Individual firms or organizations do not employ attorneys by the year, and, to relieve of the expenses and interminable delay now incident to securing relief, the carriers must be placed, if not contrary to law, in the position occupied by shippers since 1897. That is, that the orders of the Interstate Commerce Commission shall become effective within thirty days and continue until reversed by a court clothed with the power to review such cases. The transportation interests are more opposed to this idea than any other, as they expect to wear out 90 per cent of the complainants by the long delays and expense, if given the right of appeal, with stay, on the giving of a bond. If carried to the Supreme Court, several years could be safely counted upon as the delay.

It seems eminently proper that Mr. Spencer should come forward as defender of the position of many transportation interests on this question, because in the section which is served by the road of which he is president rates are relatively higher, more unequal, and greater injustice to localities exist than in any other section of the country.

Senator CLAPP. What road is that?

Mr. HOOKER. Mr. Spencer is president of the Southern Railway Company, but when before the House committee he stated that he represented a large number of other lines. This can not be better illustrated than in the case of Cincinnati. Grown desperate by the small-minded policy of the then management of the Louisville and Nashville Railroad, the only road then granting access to the South, which at Louisville resorted to delaying shipments from Cincinnati at Louisville, and other means that would not now be indulged in, and certainly should not be tolerated, the city of Cincinnati resolved to

build a railroad to the South, which was completed to Chattanooga in 1880. This road stands the city of Cincinnati a total cost of about 30 million dollars. In anticipation of the completion of this road there was formulated a new basis of rates to and from the territory south of the Potomac and Ohio and east of the Missouri River, which in effect resulted in a division of the business. To protect the shippers of farm and packing house products in the territory north of the Ohio River from competition with New York, Pennsylvania, and New England, the rates were made favorable from the Ohio River gateways, but on nearly every manufactured article, especially those coming under the numbered classes, the rates were made so as to divert the business to the Middle States and New England.

The completion of the roads from the Missouri to Memphis and Birmingham about 1887 resulted in the almost complete extinction of business in the packing-house products originating in Cincinnati and other Ohio gateways to the South, and also in a large decline of shipments of farm products.

Since the adoption of this basis of rates and division of business, the Middle West has increased enormously the variety, volume, and value of manufactured articles produced in that section, and justly claim that these new conditions demand changes in rates to meet them.

By changes of rates, I want to say again, emphatically, is not necessarily meant reduction in rates, but a rearrangement of rates; advancing rates from some localities and reducing others, giving carriers practically the same gross revenue. For twenty-nine years it seemed practically impossible to bring about any change until, forced by local conditions in Georgia, on December 1, 1904, when at a meeting of presidents of southern roads certain reductions in south-bound freights were ordered to take effect on February 1. These reductions, although applying to Chattanooga from Baltimore and other northern shipping points, did not apply to shippers from the Ohio gateways to Chattanooga. The rates from these gateways continue to be based on 76 cents per 100 pounds, first class, from Cincinnati.

Some ten or twelve years ago the Cincinnati Freight Bureau took up with the Interstate Commerce Commission the injustice of this practice I have just spoken of, and secured a decision from the Commission that a proper relation did not exist between the rates from the territory north of the Ohio River and the territory from Baltimore, New York, and Philadelphia to the south and southwest.

Senator DOLLIVER. That was the old abuse that the Interstate Commerce Commission tried to correct in 1896, was it not?

Mr. HOOKER. I am just coming to that. The Interstate Commerce Commission were asked by the Cincinnati Freight Bureau, the organization which brought the suit, to order a relative adjustment, and not to order a stated reduction to a given rate. There was pending at the same time before the Commission another case. Having both of these cases before them, and the Cincinnati Freight Bureau case having the right of way, the Interstate Commerce Commission in its younger days saw fit not to follow the advice given by the representatives of the Cincinnati Freight Bureau to order that the rates should have a certain stated relation to each other. Instead of that they ordered that a certain rate should be made.

Now, no one knows what would have been the result if the Commission had followed the advice of the Cincinnati Freight Bureau and ordered merely that the rates should bear a certain relation to each other. Perhaps had the Commission done so, the Supreme Court would not have decided against them, as it did in the Cincinnati Freight Bureau case.

Senator KEAN. Is it one of your complaints that the rates from Cincinnati and that region are greater than the rates given other points for practically the same service?

Mr. HOOKER. Yes, sir. I think some of the members of the Commission admit that there was their first mistake, in not ordering the relative adjustment, rather than a stated adjustment.

Senator DOLLIVER. Do you think the Interstate Commerce Commission now has the power to order a relative adjustment in the case of such abuses as were claimed to exist in 1896?

Mr. HOOKER. That would be for a lawyer to decide.

Senator DOLLIVER. What do your counsel advise you in respect to that?

Mr. HOOKER. Under the Supreme Court decision in the Cincinnati Freight Bureau case I should doubt very much whether the Commission would now have the right to order a relative adjustment. But I contend that if the Commission had not so directly raised the question of the power to make rates in that case and had established a precedent of relative adjustment, we should be operating to-day under different conditions. Most of the troubles, outside of private car lines, private side tracks, and other abuses of that nature, are more abuses of relations of carriers to each other than otherwise.

Senator DOLLIVER. Are there no complaints of excessive rates and extortionate charges?

Mr. HOOKER. During my long experience I have known of no rates that were extortionate. It is only because these rates are not relatively adjusted.

Senator DOLLIVER. The complaint, then, is based entirely upon alleged discriminations?

Mr. HOOKER. I can not say entirely. I can only speak from our own experience.

Senator DOLLIVER. You would say that that is the view of the mercantile community of a city situated as Cincinnati is?

Mr. HOOKER. Looking merely at the adjustment of rates, I do not say that the correction of that would correct the abuse of private car lines, etc., which I am not attempting to touch upon here. What I want to show is that the adjustment of rates and the adjustment of relations between one locality and another are susceptible of being corrected, and of being corrected without doing damage to the interests of the transportation companies.

The CHAIRMAN. If there be a decision in favor of one locality, will not the other locality complain?

Mr. HOOKER. As I stated before you came in—perhaps I had better return to that.

The CHAIRMAN. No; proceed.

Mr. HOOKER. Will you put your question again, please?

The CHAIRMAN. When there is a contest or dispute between localities, if there be a decision in favor of the one locality will not the other be dissatisfied?

Mr. HOOKER. That may be; but satisfaction has not reigned very greatly over the shipping interests of the country during the last twenty-five years, and I do not suppose it will, even if you pass another interstate-commerce law.

Senator DOLLIVER. You are not looking for complete satisfaction?

Mr. HOOKER. No, sir; some one locality or another will be dissatisfied, as some localities have been dissatisfied for twenty-five years. They feel that their turn should now come.

The reduction from eastern territory to Chattanooga was 9 cents per 100 pounds, first class, and corresponding reduction on other classes, thus making the discrimination against Cincinnati 25 cents per 100 pounds more on first-class freight than had been decided by the Interstate Commerce Commission as a just and reasonable rate.

This will serve as an example of the unfair treatment accorded Cincinnati and the territory north of the Ohio.

In north-bond business, on southern products—cotton goods, for instance—the rate from Georgia milling points to Cincinnati proper is 49 cents per 100 pounds. If designated to points beyond, some goods take a rate of 35 cents per 100 pounds to Cincinnati. In defense of this basis, was the claim that in order to compete with New England mills it was necessary to make the rate through to Chicago the same as from New England cotton-mill points. It has been shown by every witness so far examined in an interstate-commerce suit that there were over 1,000,000 spindles in South Carolina alone which did not ship a pound of their product into territory north of the Ohio, and that while, especially in colored cottons, New England and Southern goods may be known by the same general trade names, the New England goods of a high class and character command high prices, and it requires the wildest stretch of imagination to sustain the theory that low freights from the South are necessary for mills in that section to enable them to compete with New England mills for the trade of the West.

Senator DOLLIVER. How do you account for that? That seems to be a deliberate throwing away of revenues.

Mr. HOOKER. Exactly; but it is simply because the evolution that has been going on in every technical trade in the world for the last twenty-five years necessitates a closer knowledge of every subject handled by the men who profess to handle it, whether that is the construction of an armored cruiser, or steel works, or anything of that sort. That close knowledge has not yet reached the traffic departments of the railroads.

Senator DOLLIVER. Do you think it will strike the Interstate Commerce Commission before it strikes the traffic departments?

Mr. HOOKER. Yes, I do; I might say a little more on that same subject, since you ask the question.

These tariffs were constructed by men who now are traffic managers and who are expected to sustain those tariffs. What would you think of a man you were holding responsible for results in a large department of your business if, after five or ten years, you discovered that he had been working on an entirely wrong hypothesis; that he had been throwing away opportunities to make profits while working upon certain suppositions that did not exist? You would think that he should have learned better in the five or ten years previous. That is the position occupied to-day by the south-

ern traffic men. The southern cotton-mill industry does not need the fostering care of the Southern Railroad any more than the Southern Railroad needs the fostering care of the southern cotton-milling industry.

Senator DOLLIVER. It seems to me, referring to your illustration, that if I owned a railroad and discovered that the traffic manager was breaking away from the law or regulation I had made, I would at once cast about for another traffic manager.

Mr. HOOKER. You would think so. In this particular case I have alluded to the parties offered to make this proposition to Mr. Powell, that they would be willing to try that case before Mr. Spencer. At that time there was practically no more competition between the New England cotton mills and the southern cotton mills for the trade of the West than there was between the southern cotton mills and Russia for the trade of New England. Mr. Powell was astounded. As I say, every witness who has been examined by the Interstate Commerce Commission knows that, two of whom were southern cotton manufacturers. Every statement I have made can be verified, and the more strongly the southern cotton representatives advocate it the stronger the position of the complainant will be made here. The southern traffic managers have simply fallen into the general belief, which is a very superficial one, that there is the keenest competition between the southern and the New England cotton mills, whereas that competition exists practically on one article only—print cloths and print-cloth yarn goods.

Mr. Twitchell, president of the Clifton Manufacturing Company, Spartanburg, S. C., testified that he was engaged in the manufacture of heavy drills and light gray cottons; that he did not ship any goods to the West, and that if the rate was about the present rate, it would in no wise affect his interests.

Although relief has been sought from the Interstate Commerce Commission, as you know, the Commission is now powerless to enforce its decrees. The Cincinnati Southern, the city-built road, is operated by the Southern Railway Company, which (you will say) should be interested in being just to the largest city reached by their rails. I have already shown by their action, in not reducing the rate from Cincinnati to Chattanooga, that they were guilty of a most unfriendly act. But there may be other reasons. The ablest and strongest competitor of the Southern Railway Company in the interchange of business between the West and South is the Louisville and Nashville. No stronger opponent of Federal interference of transportation companies exists. No railroad management is less inclined to give ear to complaints of business organizations than the Louisville and Nashville; the masterful ability of the president of that road has enabled him to bluff the management of the Cincinnati Southern from the day it was finished. The uniting under the ownership of the Louisville and Nashville and the Atlantic Coast Line increases this power to dominate in the southern field. Mr. Spencer would have Congress believe that this question of adjusting rates between localities is the most intricate question of all; that changes will create greater confusion than the world has seen since that great day in Babylon when work was suspended on the Tower of Babel. He greatly exaggerates the difficulties.



Were traffic managers under instructions to make the necessary changes, and with the Interstate Commerce Commission clothed with power to make the divisions on a joint rate where the roads themselves can not agree, the task is not beyond the ability of the rate clerks who generally work out such problems.

I would like to give all the emphasis I can to that statement.

The CHAIRMAN. How many published rates are there, in your opinion, on the various railroads?

Mr. HOOKER. There is a joint tariff operating for the trunk lines, the Southern tariff, and the trans-Missouri.

The CHAIRMAN. I would like to have you state the whole number.

Mr. HOOKER. I do not know that I can state exactly; I am not a railroad man. But I should say that probably there are in the United States four or five tariffs.

The CHAIRMAN. Four or five tariffs?

Mr. HOOKER. Tariff sheets or associations whose classifications are acknowledged within that territory.

Making the statement as energetically as Mr. Spencer did, and with such apparent conviction, probably an impression was made on the Congressional committee. But, representing as we do the business organizations of Cincinnati, individuals, firms, and corporations, whose business it is to study transportation problems, and whose very business existence depends upon understanding rates and their construction, I desire to say with equal sincerity and conviction that readjustment of rates, whether between sections, communities, or individual shippers, can be made without seriously affecting earnings, or ability to pay interest on bonds, or dividends on actual investments, or current rates on wages to employees.

The effort has been made to create the impression abroad in the land that everything will go to the bow-bows if there is any interference with the making of rates as now enjoyed by the railroads. That is pure rot. There is nothing in it. Experience will prove that. No allowance is ever made, either, for the fact that it has been proved in transportation evidence that business increases with facilities. So it follows that the consumption of everything increases with its cheapness, if cheapness follows the passage of an interstate commerce law which should give reduced prices of commodities to consumers.

This brings me to a point which I believe has never been brought out before in the discussion of this question. Up to recent years railroad presidents were generally representatives, if not actually, among the capitalist owners of the property, and now such men become chairmen of boards.

Since that was written, four or five days ago, two railroad presidents have become chairmen of boards—Mr. Ingalls, of the Big Four, and Mr. Ledyard, of the Michigan Central, which occurred yesterday.

Senator KEAN. They are not the owners of roads, though, are they?

Mr. HOOKER. They were capitalists and representatives of capitalists; that is, they were not practical railroad men. Mr. Ingalls was originally a lawyer. I do not know about Mr. Ledyard.

Mr. KEAN. Mr. Ledyard has been a railroad man all his life, and Mr. Ingalls has been for twenty-five years.

Mr. HOOKER. They have both been railroad men for many years, *but they are not of that class of men now being selected to operate railroads.*

Senator KEAN. Mr. Ledyard has been operating the Michigan Central for a great many years, and at one time he was superintendent of that road, if I remember rightly.

Mr. HOOKER. I am not so familiar with the individual case of Mr. Ledyard, but I think the general proposition I have put forth can not be disputed. It is admitted that it is the tendency of the times for railroad managers now to put practical men in charge of properties. When Mr. Ingalls retired from the presidency of the Chesapeake and Ohio Railroad his general manager, George W. Stevens, was made president. A president is selected for his apparent ability in the operating department. It is rare that a president is selected from the traffic department. Hence the president is largely dependent upon the head of his traffic department for his results. Thus is created an autocracy infinitely more powerful in affecting the business interests of this country than is the autocracy of Russia in influencing the business interests of that country.

Rates in the territory west of the Missouri River are apparently controlled by four men, south of the Ohio and Potomac by about the same number, north of the Ohio and Potomac by no more. The traffic manager, not courting interference in his department, does not annoy the president with questions that he thinks should be settled by himself. If his mistakes in rate making come to the knowledge of the president his standing might be jeopardized, and his lack of thorough and exact knowledge in his department shown. In my opinion, very much of the irritation now existing between the carriers and the public could be avoided, and certainly litigation that finds its way to the Interstate Commerce Commission would be very largely reduced, if railroad presidents were to instruct their traffic department that before permitting a case to go to the Interstate Commerce Commission the complainant should be invited to state his case to the president.

Let the interstate commerce law be strengthened, as I understand is covered in the Esch-Townsend bill, and the cases taken to the Interstate Commerce Commission will be greatly reduced rather than increased in number. It will be considered as a desirable qualification in a traffic man if the ability is shown to avoid litigation. In fact, the minds of but few traffic men, their temperament, training, or experience are broad enough to decide with equity and justice the true interests of the road they represent in many of the important questions that come before them, and if Mr. Spencer and his associates would stop the tide of public opinion and prevent the passage of measures far more radical than the Esch-Townsend bill they should organize courts of their own—courts of appeal from the traffic managers.

A great railroad president from the Northwest has been moved to come to Washington that he might lift his warning voice to show the dire disaster that would overcome this country if the Interstate Commerce Commission are given power to enforce their decrees.

Senator KEAN. Who is that?

Mr. HOOKER. J. J. Hill.

This is not the first time he has appeared as a pessimist and as a prophet of evil. It is a reflection on his intelligence to believe he is serious in such forebodings. Such prophets of evil were numerous

around the War Department when powerful interests were at work to prevent our undertaking the war with Spain.

Senator KEAN. When did he do this?

Mr. HOOKER. When he was here in Washington, several weeks ago.

I have been engaged in trade for over twenty-five years in Cincinnati, and have business relations of long standing with firms and corporations in over sixty different lines of trade, extending over the whole country and to the Orient, and I do not hesitate to express the belief that we are entering upon a year of greater prosperity than we have ever experienced, and no legislation to increase the power of the Interstate Commerce Commission is likely to interfere with its bright prospect. When it comes, as it will before the close of this Administration, when we shall begin to feel the effects of the demand for China's millions, resulting from the close of the present war in the Orient, the determination of her rulers to advance with the age, the prophets of evil will have been forgotten, and the transportation companies, operating under the beneficent influences of an interstate-commerce law, will show to such an extent in this era of prosperity that they will be its strongest advocates.

The CHAIRMAN. If you had the most of your fortune invested in a railroad would you feel entirely secure if somebody else made the rates?

Mr. HOOKER. I will answer that by saying that I do not understand that it is proposed that somebody else shall make the rates.

The CHAIRMAN. If you should confer upon somebody else the power to supervise the rates do you not think the first thing you would do would be to proceed to sell your stock?

Mr. HOOKER. I will answer yes, I would, because the rate would be left as it is.

The CHAIRMAN. Does the railroad make the rate?

Mr. HOOKER. The traffic manager makes the rate. Fifteen men are making rates for the whole United States for an annual business three times as great as that of the General Government.

The CHAIRMAN. But the railroad owners have something to say about rates when they desire.

Mr. HOOKER. They say very little.

The CHAIRMAN. You understand this question very thoroughly, I see. If you owned a majority of stock in the Big Four, having your fortune invested therein, how would you feel if the ratemaking power were turned over to another person who was independent, had nothing to do with the railroad, and had no interest in it whatever? Would you hold on to your investment, or would you sell it? I am a little curious to know. You are an intelligent business man.

Mr. HOOKER. You are stating a hypothetical case.

The CHAIRMAN. I beg your pardon. I know men who own two-thirds, and others who own half or a quarter interest in railroads, and I feel satisfied that if you took away from them the power to fix rates they would sell their stock if they got a chance. They are watching these rates very carefully.

Mr. HOOKER. You want to know what I would do under similar circumstances?

The CHAIRMAN. Yes.

Mr. HOOKER. I would do exactly as those men will do. They will

not sell their stock. They will wait to see how it works out. If it does not work out to their satisfaction, then they may sell. But they first want to take their chances of amendment to or repeal of this rate-making power which you propose to confer on the Interstate Commerce Commission. There will be no panic in stocks if you pass this bill. I predict that the prices of trunk-line stocks will not be affected one point after the passage of the bill and its signature by the President. I do not know what you, personally, would do, but that is exactly what any business man would do; he would not sell at once, but would await results.

The CHAIRMAN. Suppose prices dropped 20 points?

Mr. HOOKER. You are supposing a case. You can imagine anything.

Senator KEAN. What sort of a bill do you favor—any?

Mr. HOOKER. As I have read the Esche-Townsend bill, that is satisfactory to me.

Senator KEAN. You mean the bill that has been reported by the committee to the House?

Mr. HOOKER. Yes, sir. Mr. Hearst's bill is also satisfactory to me. I should like to have the rulings of the Interstate Commerce Commission remain in force until reversed by the courts, and not that they should be held in abeyance pending approval. Whether that view would be sustained in law I do not know; I am not a lawyer.

The CHAIRMAN. Suppose one rate is a joint rate, and another rate is partly by water and partly by rail; is it your opinion that the interstate commerce law should apply to the carrier by water as well as to the carrier by land?

Mr. HOOKER. If it is a joint rate; yes.

The CHAIRMAN. You would advocate the supervision of water rates in conjunction with railroad rates?

Mr. HOOKER. I would advocate the supervision of joint rates; yes. You can not control the entire water rate. But I answer yes as to the joint rate.

Senator DOLLIVER. We could control the water rate if it is an interstate rate.

Mr. HOOKER. It would be pretty difficult, especially if sailing vessels were concerned.

Senator DOLLIVER. We could control sailing vessels engaged in interstate or foreign commerce.

Mr. HOOKER. That is further along.

The CHAIRMAN. One other question bearing on that: Take the case of a joint rate for traffic through a foreign country, say Canada. You understand me?

Mr. HOOKER. Yes, sir.

The CHAIRMAN. How would you meet that difficulty?

Mr. HOOKER. I am frank to say that it has not come in my way to give any thought to that particular branch of the subject, but I do not think that any road should be permitted to work an injury to American transportation by reason of that road being free from the obligations of the interstate commerce law.

The CHAIRMAN. If Congress could meet that difficulty, I take it you would suggest that it should do so?

Mr. HOOKER. I think by all means it should be done.

Senator KEAN. And that would cover the rates on railroads running into and out of Chicago and connecting with Canadian roads?

Mr. HOOKER. Well, for some kinds of business, but not for all. I do not think there is any trouble existing on the broad proposition of competition between our roads and Canadian roads for transcontinental business. The rates are low enough. I want to emphasize that fact, too. The general complaint is not that the rates are too high. We shipped cotton goods from Texas milling points to Shanghai during the last month at \$1 per hundredweight.

The CHAIRMAN. That is reasonable.

Mr. HOOKER. Very reasonable. I do not know that there is any complaint either of transcontinental rates or rates to the Orient, speaking broadly. I am less familiar, however, with Pacific coast local rates and Rocky Mountain local rates, but in other parts of the country the trouble is not so much that the rates are too high as that the railroads refuse to make relative adjustments. In fact, they refuse to change the rates. There seems to be a stubbornness, an indisposition to change rates at the demands of shippers. One railroad traffic man who is a good fellow can accomplish more, through good-fellowship and friendliness at a joint meeting, to bring about a change of classification than an earnest manufacturer who attends, bent strictly upon business only. He can not accomplish anything, while the good fellow can do some good.

To illustrate, there is in Cincinnati the Globe-Wernicke Manufacturing Company, as many of you know, if you are familiar with advertisements. They are large manufacturers of office furniture and elastic bookcases, as they are called. Years ago, before such a thing was known as a compact elastic bookcase, a certain classification was given to bookcases in the territory north of the Ohio. In the last twenty-five years the railroads have changed the rates for many things, but they refuse to recognize this new industry in bookcases, and refuse to change the old classification on bookcases [exhibiting pictures of two different styles of bookcases]. Notwithstanding the Globe-Wernicke Company shipped their cases in this form, this bookcase passes at one and one-half times first class.

Senator DOLLIVER. It would seem to me that you could get somebody to interest himself in a situation like that.

Mr. HOOKER. This concern endeavored for years to have that corrected. I remember when they attempted to reach the chairman of the joint classification committee, but I assure you he was harder to get at than the Czar of Russia. A shipper stood just as good a chance of interviewing that man as he would to interview the Czar of Russia.

Senator KEAN. Is not that the same question that is now before the Interstate Commerce Commission?

Mr. HOOKER. The same case.

Senator KEAN. Is it not practically the same question as formerly existed in regard to shipping cotton in the old-fashioned square bales and in the round bales?

Mr. HOOKER. This case stands by itself.

The CHAIRMAN. Are there not many evils and abuses growing out of changing the classification, for instance, changing from the fourth or fifth class to the third, and thereby getting a higher rate?

Mr. HOOKER. Oh, yes; the incomes of railroads have been enormously increased by the changes made. There was testimony before the House committee on that subject, indicating a number of changes. That has been rather an insidious way of advancing freight rates.

The CHAIRMAN. The power to fix rates would reach the classification, would it?

Mr. HOOKER. Oh, yes. Give the Commission that power and that would give them authority over classifications.

The CHAIRMAN. They would reach classifications under that power?

Mr. HOOKER. Undoubtedly. I think these changes of classifications have been an abuse.

I am very much obliged to you, Senators.

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INTERSTATE COMMERCE COMMISSION,  
Washington, February 7 1905.

HON. STEPHEN B. ELKINS,  
*United States Senator, Washington, D. C.*

DEAR SIR: In response to your request of January 28, the Commission has the honor to send you herewith certain statements or tables of representative rates on June 30 1897, as compared with the same rates on June 30, 1904.

These tables include both class and commodity rates, and on each of them are indicated the points between which they apply. They are confined to the territory mentioned in your letter, and are intended to be fairly representative of the rates in force on the dates named, respectively.

So far as class rates are concerned, a comparison of this kind gives a fairly correct idea of the changes in such rates, as there is comparatively little fluctuation in rates of this character; but in the case of special rates on important commodities such a comparison is liable to be misleading on account of the frequent fluctuations in commodity rates. By way of illustration, a statement is appended showing all changes in the rates on flour and grain from Kansas City, Mo., to Galveston, Tex., for export, from January 30, 1897, to June 30, 1904, from which it will be seen that the rates in effect on the first-mentioned date, and which remained in force until January 1, 1899, were higher than at any subsequent period, and that the rates in force on June 30, 1904, were higher than for the greater portion of the intervening period.

The rates shown in this statement as in effect on June 30, 1904, are still in force, with the exception of the proportional rate on corn for export, which, within the last few days, has dropped to 11 cents.

That a comparison of rates on two specified dates quite widely separated may be misleading is also shown by two other tables submitted, showing all changes in rates on cattle and hogs from Tyler and Hubbard City, Tex., to St. Louis, Mo., and Chicago, Ill., from July 3, 1888, to March 5, 1903, the rates shown under the last-mentioned date being those now in force.

Very respectfully, yours,

MARTIN A. KNAPP, *Chairman.*

# 140 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

*Statement showing changes in rates on flour and grain from Kansas City, Mo., to Galveston, Tex., for export, from June 30, 1897, to June 30, 1904.*

[Rates in cents per hundred pounds.]

Date.	Local.				Proportional (when from beyond).			
	Flour.	Wheat.	Corn.	Oats.	Flour.	Wheat.	Corn.	Oats
June 30, 1897.....	31	31	26	26	21	21	18	18
January 1, 1899.....	26	21	20	20	19½	17	17	17
February 24, 1899.....	26	21	20	22	16	16	17	17
April 10, 1899.....	26	21	20	22	11	11	11	11
April 17, 1899.....	26	21	20	22	10	10	10	10
July 1, 1899.....	19	19	14½	16	15	15	11½	13
July 25, 1899.....	19	19	15½	17½	15	15	12½	14½
August 1, 1899.....	19	19	16	18	15	15	13	15
December 1, 1899.....	22	22	18	22	15	18	15	18
January 1, 1900.....	23	23	19	22	15	18	15	18
February 14, 1900.....	23	23	19	22	18	13	12	13
March 12, 1900.....	23	23	19	22	18	13	12	13
April 10, 1900.....	23½	23½	20½	20½	18½	18½	16½	16½
August 10, 1900.....	21½	21½	20½	20½	16½	16½	16½	16
November 8, 1900.....	21½	21½	20½	20½	15	15	15	15
November 12, 1900.....	20	20	19	19	15	15	15	15
July 16, 1901.....	20	20	19	19	15	13	13	13
July 26, 1901.....	20	20	19	19	15	15	15	15
August 24, 1901.....	20	20	19	19	15	13	13	13
May 10, 1902.....	20	20	19	19	15	12	12	12
June 15, 1902.....	20	20	19	19	15	15	15	15
June 18, 1902.....	20	20	19	19	15	12	12	12
August 15, 1902.....	20	20	19	19	15	15	14	14
August 23, 1902.....	20	20	19	19	15	12	12	12
September 15, 1902.....	20	20	19	19	15	15	14	14
December 15, 1902.....	22	22	20	20	17	17	16	16
February 1, 1904.....	17	17	15	15	15	15	14	14
Do.....	17	17	12	12	15	15	12	12
February 13, 1904.....	15	15	12	12	13	13	12	12
June 30, 1904.....	23	23	21	21	18	18	17	17

*Freight rates on cattle and hogs from points on the St. Louis Southwestern Railway.*

FROM TYLER, TEX.

To—	Date effective.	Cattle.		Hogs.	
		Per car.	Per 100 pounds.	Per car.	Per 100 pounds.
St. Louis, Mo.....	July 3, 1888.....	\$80.00	\$0.40	\$70.00	
	Feb. 10, 1889.....		.40		\$0.47
	Feb. 24, 1890.....		.31		.47
	Mar. 20, 1890.....		.38		.47
	Apr. 4, 1890.....		.36		.47
	June 5, 1890.....		.34½		.47
	June 18, 1890.....		.25		.47
	July 15, 1890.....		.34½		.47
	Sept. 15, 1890.....		.36		.47
	May 20, 1891.....		.39		.47
	Oct. 1, 1896.....		.34		.47
	Feb. 1, 1899.....		.36½		.47
	Feb. 6, 1899.....		.31½		.47
	Apr. 16, 1899.....		.36½		.47
	Dec. 15, 1899.....		.39½		.47
	Mar. 5, 1903.....		.42½		.50
	May 10, 1887.....	95.00	.47½	82.00	
	July 3, 1888.....	100.00	.50	87.00	
	Jan. 20, 1889.....	102.50	.51½	92.50	
	Feb. 10, 1889.....		.51½		.62
Chicago, Ill.....	Feb. 7, 1890.....		.49		.62
	Feb. 24, 1890.....		.40		.62
	Mar. 20, 1890.....		.45½		.62
	Apr. 4, 1890.....		.42½		.62
	June 5, 1890.....		.40½		.59½
	June 18, 1890.....		.31½		.59½
	July 15, 1890.....		.40½		.59½
	Sept. 15, 1890.....		.46½		.59½
	Oct. 18, 1890.....				.62
	May 20, 1891.....		.49½		.62
	Oct. 1, 1896.....		.44½		.62

*Statement showing rates on classes and commodities from points in Indian and Oklahoma Territories to St. Louis, Mo., in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Grain.			Hay, C. L.	Cattle, C. L.	Hogs, S. D., C. L.	Sheep, S. D., C. L.
											Flour, C. L.	Wheat, C. L.	Other grain, C. L.				
June 30, 1897:																	
Wagoner, Ind. T. ....	110	90	75	55	43	45	40	30	27	24	18	18	15	20	22½	33	41½
McAlester, Ind. T. ....	115	98	82	68	55	57	48	41	35	31	28	28	23	20	31	41	42
Purcell, Ind. T. ....	130	109	97	87	70	73½	58½	49	43	33½	25	25	20	20	34	42	50½
June 30, 1904:																	
Wagoner, Ind. T. ....	110	90	75	58	45	47	40	30	26½	23	20	20	18	21½	30½	37	41½
McAlester, Ind. T. ....	120	100	85	69	55	57	49	39	35	28	23½	23½	20	25	39	49	48½
Purcell, Ind. T. ....	130	109	97	84	67	65	53	45	37	29	(a)	(a)	(a)	25	40	50	50½
June 30, 1897:																	
Guthrie, Okla. ....	130	109	97	82	70	68½	52½	45	39½	30	25	25	20	20	33½	40	46½
Oklahoma City, Okla.	130	109	97	82	70	68½	52½	45	39½	30	25	25	20	20	34	41	48½
June 30, 1904:																	
Guthrie, Okla. ....	130	109	97	84	67	65	53	45	37	29	25½	25½	20½	25	39	49	48½
Oklahoma City, Okla.	130	109	97	84	67	65	53	45	37	29	25½	25½	20½	25	39	49	48½

a Combination of locals.

*Tariffs.*—A., T. and S. F. Rwy., I. C. C. Nos. 12, 364, 2094; M., K. and T. Rwy., I. C. C. Nos. A-3, 227, 262, 325, 1915, 1974; Missouri Pacific Rwy., I. C. C. No. 1553.

SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Friday, February 10, 1905.*

STATEMENT OF JOSEPH NIMMO, JR., STATISTICIAN AND ECONOMIST, OF WASHINGTON, D. C.

Mr. NIMMO. Mr. Chairman, I have been requested to present to your committee a petition from the New York Board of Trade and Transportation, which contains a recommendation in favor of "a special commission of Congress on interstate commerce, to thoroughly investigate all problems involved, and to report their conclusions and recommendations by bill at the opening of the next Congress." I make this recommendation the text of my present remarks, which relate especially to the constitutional and political aspects of the question now before you. And, first, I would invite your attention to

A CONSTITUTIONAL LIMITATION OF THE POWER OF CONGRESS TO REGULATE COMMERCE AMONG THE STATES.

Article 1 of the Constitution of the United States, in clause 6 of section 9, imposes the following constitutional limitation upon the exercise of the power of Congress to regulate commerce among the States: "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another." This provision stands for the defense of commercial liberty.

Mr. Madison, chronicler of the Constitutional Convention of 1787, states the historic fact that the main purpose had in view in framing the Constitution of the United States was to abolish certain intolerable



# 142 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

*Statement showing rates on classes and commodities from Chicago, Ill., to San Francisco, Cal., also from San Francisco, Cal., to Chicago, Ill., in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

## FROM CHICAGO, ILL., TO SAN FRANCISCO, CAL.

	June 30, 1897.	June 30, 1904.
Class 1 .....	240	300
Class 2 .....	215	260
Class 3 .....	200	220
Class 4 .....	170	190
Class 5 .....	165	165
Class A .....	160	160
Class B .....	110	125
Class C .....	100	100
Class D .....	100	100
Class E .....	95	95
Agricultural implements, C. L. ....	115	135
Baking powder, C. L. ....	80	100
Canned goods, C. L. ....	75	95
Coffee, green, in sacks, C. L. ....	75	90
Dry goods:		
In cases, any quantity .....	150	300
In bales, any quantity .....	225	300
Blankets, any quantity .....	100	240
Earthenware, in boxes, barrels, or crates. ....	95	95
Extracts, flavoring, in boxes, C. L. ....	90	140
Glucose, O. R. L., C. L. ....	90	75
Hardware, hammers, tools (mechanics'), boxed, C. L. ....	80	175
Machinery taking Class A, western classification, C. L. ....	110	140
Nails and spikes in kegs, C. L. ....	75	110
Paint, N. O. S., in boxes, barrels, or crates, C. L. ....	75	90
Machines, sewing, in boxes or crates, C. L. ....	100	140
Soap, common, C. L. ....	75	75

Transcontinental I. C. C. Nos. 1 and 375.

## FROM SAN FRANCISCO, CAL., TO CHICAGO, ILL.

Class 1 .....	340	340
Class 2 .....	300	300
Class 3 .....	240	240
Class 4 .....	190	190
Class 5 .....	170	170
Class A .....	175	175
Class B .....	155	155
Class C .....	120	120
Class D .....	105	105
Class E .....	95	95
Beans, C. L. ....	75	75
Canned goods, C. L. ....	75	75
Chocolate, boxed, C. L. ....	75	75
Coffee, green, in sacks, C. L. ....	80	75
Extracts, flavoring, boxed, C. L. ....	90	135
Fish, dry, smoked, or salted, C. L. ....	125	75
Fruits:		
Dried in boxes or barrels, C. L. ....	100	100
Deciduous, C. L. ....	125	125
Citrus, C. L. ....	125	125
Honey, strained, in tin cans, C. L. ....	75	85
Liquors, wine, California, in wood, C. L. ....	75	75
Macaroni, in packages, C. L. ....	155	100
Nuts, edible, in packages, C. L. ....	130	130
Oil, olive, California, in packages, C. L. ....	175	100
Pepper, whole or ground, C. L. ....	110	125
Sugar, refined, C. L. ....	65	65
Wool, scoured, compressed, any quantity .....	125	130

Trans-Continental I. C. C., Nos 3 and 318.

Thus the constitutional limitation that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another," involves stringent restraints upon the power of Congress to regulate commerce among the States. These served at the beginning to avert the danger of disunion, and to-day they stand as a defense of commercial liberty throughout all our borders.

The question arises—did the constitutional limitation referred to practically eliminate the power vested in Congress in the eighth section of article one—namely, the power to "regulate commerce among the States?" I answer, No! In many ways not affected by the constitutional limitation the National Government has effectually and beneficially regulated commerce and transportation. There is no business in this country which is more completely the subject of legal restraint than is that of railroad transportation. The railroads are regulated not only by the National Government, but also by States, by cities, counties, towns, village boards of trustees, school districts, and by almost every other political subdivision of the State. The decisions of the courts involving the law of the common carrier and of public highways embrace volumes of judicial regulation applicable to the conduct of railroad transportation. The act to regulate commerce amplifies, extends, and particularizes the regulative principles of the common law in its application to the railroads. In view of these facts it has been asserted by an eminent lawyer that "the railroad is held to a more rigid responsibility in the courts than any other litigant." The judicial records of the country afford abundant proof of the correctness of that assertion.

But the question arises, What would be the effect of the constitutional limitation, "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another" upon an act of Congress which would confer upon the Interstate Commerce Commission the power to determine the relative rates which shall be charged on railroads engaged in interstate commerce? Experience clearly proves that it is unwise for lawyer or layman, or even legislator, to predict the judicial determination of the meaning of an act of Congress vitally affecting the commercial interaction of the people, or the question as to the constitutionality of such an act. I shall not attempt it; it is sufficient here to point to a dilemma which confronts Congress in any attempt to confer the power of rate making upon an administrative board. In case the Supreme Court should hold that an act conferring the rate-making power upon the Interstate Commerce Commission is subject to the constitutional limitation, "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another," it appears probable that such a statute would in practice be nugatory for the reason that any regulation of relative rates to or from the ports or markets of any two States by the Commission might be alleged to violate the constitutional inhibition against preference to the ports of one State over those of another. This, of course, would give rise to tedious and interminable litigation.

If, however, the Supreme Court should rule that a rate-making statute would not be subject to the constitutional inhibition mentioned, it seems evident that the multiplicity of cases arising under such a statute would overwhelm the Commission just as the assumption indulged for a while at the beginning, that the interstate commerce

# 144 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

*Statement showing rates on classes and commodities from Chicago, Ill., to Denver, Colo.; also from Denver, Colo., to Chicago, Ill., in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

## FROM CHICAGO, ILL., TO DENVER, COLO.

	June 30, 1897.	June 30, 1904.
Class 1 .....	205	205
Class 2 .....	165	165
Class 3 .....	125	125
Class 4 .....	97	97
Class 5 .....	77	77
Class A .....	92	92
Class B .....	72	72
Class C .....	62	62
Class D .....	53½	53½
Class E .....	46	46
Agricultural implements (except hand), C. L .....	90	90
Axes, C. L .....	132	125
Beer in wood, C. L .....	55	50
Cans, tin, C. L .....	62	62
Dry goods, C. L .....	175	175
Furniture, straight, C. L., rated Class 2, Western classification .....	110	110
Machinery, all kinds, C. L., rated Class A, Western classification .....	80	92
Paper, building, roofing, wrapping, C. L .....	65	70
Soap, invoice value not exceeding 12 cents pound, C. L .....	62	62
Soda ash, C. L .....	55	55
Tin plate, C. L .....	57	69

Trans-Missouri I. C. C., Nos. 54 and 123.

## FROM DENVER, COLO., TO CHICAGO, ILL.

Class 1 .....	205	205
Class 2 .....	165	165
Class 3 .....	125	125
Class 4 .....	97	97
Class 5 .....	77	77
Class A .....	92	92
Class B .....	72	72
Class C .....	62	62
Class D .....	53½	53½
Class E .....	46	46
Bones, C. L .....	30	35
Bullion and ore, pig lead, value not to exceed \$100 per ton .....	22½	25
Canned goods, C. L .....	75	75
Hay, C. L .....	44½	40
Hides and sheep pelts, C. L .....	73½	70
Junk, C. L .....	50	50
Seed, alfalfa, C. L .....	72	72
Tin, scrap, C. L .....	52½	40
Zinc lead, white, C. L .....	40	40
Wool:		
Numbers, in sacks, any quantity .....	165	165
Numbers, in bales, any quantity .....	125	125

Trans-Missouri I. C. C., Nos. 54 and 123.

# DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION. 145

*Statement showing rates on classes and commodities from Chicago, Ill., to Kansas City, Mo., also from Kansas City, Mo., to Chicago, in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

## FROM CHICAGO, ILL., TO KANSAS CITY, MO.

	June 30, 1897.	June 30, 1904.
Class 1 .....	80	80
Class 2 .....	65	65
Class 3 .....	45	45
Class 4 .....	32	32
Class 5 .....	27	27
Class A .....	32	32
Class B .....	27	27
Class C .....	22	22
Class D .....	18½	18½
Class E .....	16	16
Agricultural implements, rated Class A, Western classification	30	30
Alcohol, high wine and whisky, C. L.	30	35
Axes, C. L.	32	45
Beer, C. L.	25	25
Cement, C. L.	17	14
Coal, hard, C. L.	15	a 250
Cotton piece goods	50	50
Iron and steel rails, C. L., minimum 2,240 pounds	400	250
Oil, petroleum, C. L.	27	27
Paper, building, roofing, wrapping, C. L.	20	20
Plaster, C. L.	17	16
Salt, C. L.	12	15½
Tin plate, C. L.	15	27

Western Trunk Line I. C. C., Nos. 7 and 455.

## FROM KANSAS CITY, MO., TO CHICAGO, ILL.

Class 1 .....	80	80
Class 2 .....	65	65
Class 3 .....	45	45
Class 4 .....	32	32
Class 5 .....	27	27
Class A .....	32	32
Class B .....	27	27
Class C .....	22	22
Class D .....	18½	18½
Class E .....	16	16
Flour, C. L.	19	16
Wheat, C. L.	19	15
Rye, C. L.	15	15
Barley, C. L.	15	15
Corn and oats, C. L.	15	15
Packing-house products, C. L.	23½	20
Dressed meats, C. L.	23½	20
Cattle, C. L.	23½	23½
Hogs, C. L.	23½	23½
Sheep, C. L.	25	25

a Ton, 2,000 pounds.

Western Trunk Line I. C. C., Nos. 7 and 455.

# 146 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

Statement showing rates on classes and commodities from St. Louis, Mo., to Texas common points (Denison, Dallas, Fort Worth, Waco, San Antonio), in force June 30, 1897, and June 30, 1904.

[Rates in cents per hundred pounds.]

	June 30, 1897.	June 30, 1904.
Class 1.....	130	137
Class 2.....	113	121
Class 3.....	97	104
Class 4.....	90	96
Class 5.....	70	75
Class A.....	74	79
Class B.....	65	70
Class C.....	54	58
Class D.....	43	46
Class E.....	36	39
Agricultural implements, C. L.....	64	70
Axle grease, C. L.....	45	60
Bagging for baling cotton, cotton-bale ties, C. L.....	45	35
Cans, tin, C. L.....	70	80
Crackers, in boxes, C. L.....	79	104
Angle hoop and rod (iron articles).....	48	55
Horse and mule shoes (iron articles).....	57	62
Lead bar, pipe or sheet and pig lead, C. L.....	62	70
Paints, dry or in oil, earth paint, C. L.....	64	60
Packing-house products, C. L.....	65	60
Oil petroleum, C. L.....	58	55
Starch, N. O. S.....	63	70

Southwestern Tariff Committee, I. C. C., Nos. 33 and 351.

NOTE.—The rates shown above as in force June 30, 1904, became effective March 15, 1903, on which date corresponding changes were made to all Texas points from all territories.

Statement showing rates on classes and commodities from Texas common points to St. Louis, Mo., in force June 30, 1897, and June 30, 1904.

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Cotton, C. L.	Cattle, C. L.	Hogs, S. D., C. L.	Sheep, S. D., C. L.
June 30, 1897:														
Denison.....	130	113	97	90	70	74	65	54	43	36	75	34	47	58½
Dallas.....	130	113	97	90	70	74	65	54	43	36	75	34	47	58½
Fort Worth.....	130	113	97	90	70	74	65	54	43	36	75	34	47	58½
Waco.....	130	113	97	90	70	74	65	54	43	36	75	36	47	58½
San Antonio.....	130	113	97	90	70	74	65	54	43	36	85	45½	47	58½
June 30, 1904:														
Denison.....	137	121	104	96	75	79	70	58	46	39	70	42½	50	58½
Dallas.....	137	121	104	96	75	79	70	58	46	39	70	42½	50	58½
Fort Worth.....	137	121	104	96	75	79	70	58	46	39	70	42½	50	58½
Waco.....	137	121	104	96	75	79	70	58	46	39	70	44½	52	58½
San Antonio.....	137	121	104	96	75	79	70	58	46	39	70	51½	60	58½

Tariffs.—Southwestern Tariff Committee, I. C. C. Nos. 33, 34, 330, 342; M., K. and T. Rwy., I. C. C. Nos. 202 and A-761; H. and T. C. R. R., I. C. C. No. 28.

# DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION. 147

Statement showing rates on classes and commodities from Chicago, Ill., to points in Kansas and Nebraska, in force June 30, 1897, and June 30, 1904.

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Agricultural implements, Class A (W. C.).	Emigrant outfit, C. L.	Cotton piece goods, C. L.
June 30, 1897:													
Wichita, Kans.....	139½	118	91	69½	69	61½	49	40	33	27	61½	35	111
Topeka, Kans.....	109	89	64	47	39	44	37	30	25½	21½	44	27½	79
Iola, Kans.....	107	88	66	46½	38½	44½	35½	26½	23	20	40½	30	71
Pittsburg, Kans.....	107	88	66	46½	38½	44½	35½	26½	23	20	31½	30	71
June 30, 1904:													
Wichita, Kans.....	139½	118	91	69½	60	61½	49	40	33	27	51	35	111
Topeka, Kans.....	109	89	64	47	39	44	37	30	25½	21½	42	27½	79
Iola, Kans.....	105	86	65	45	37	43	35	25	22	20	40½	27	70
Pittsburg, Kans.....	105	86	65	45	37	43	35	25	22	20	30½	27	70
June 30, 1897:													
Omaha, Nebr.....	80	65	45	32	27	32	27	22	18½	16	30	27	50
Lincoln, Nebr.....	85	70	49	36	30	35	30	25	21½	19	38	27	55
Beatrice, Nebr.....	92	77	53	40	33	38	33	28	24½	21	38	30	62
Columbus, Nebr.....	115	95	72	53	43	46	40	33	26½	21½	46	α \$57.00	85
June 30, 1904:													
Omaha, Nebr.....	80	65	45	32	27	32	27	22	18½	16	30	27	50
Lincoln, Nebr.....	85	70	49	36	30	35	29½	25	21½	19	35	α \$55.00	55
Beatrice, Nebr.....	92	77	53	40	33	38	33	28	24½	21	38	α 50.00	62
Columbus, Nebr.....	115	95	72	53	43	46	40	33	26½	21½	46	α 57.00	85

α Carload, minimum weight 20,000 pounds.

Tariffs.—A., T. and S. F. Rwy., I. C. C., No. 12; Western Trunk Line I. C. C., Nos. 401, 455, and D-19, Joint Tariff No. 7; Union Pacific R. R., I. I. C., Nos. 216 and 1619.

Statement showing rates on classes and commodities from points in Kansas and Nebraska to Chicago, Ill., in force June 30, 1897, and June 30, 1904.

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Grain, Flour, C. L.	Wheat, C. L.	Other grain, C. L.	Hay, C. L.	Hogs, S. D., C. L.	Sheep, S. D., C. L.	Cattle, C. L.
June 30, 1897:																	
Wichita, Kans.....	139½	118	91	69½	60	61½	49	40	33	27	26	26	22	25	42	41½	37½
Topeka, Kans.....	109	89	64	47	39	44	37	30	25½	21½	21	21	17	24	31	35	29½
Iola, Kans.....	107	88	66	46½	38½	44½	35½	26½	23	20	23	23	18½	20	36	37½	31½
Pittsburg, Kans.....	107	88	66	46½	38½	44½	35½	26½	23	20	23	23	18½	20	36	37½	31½
June 30, 1904:																	
Wichita, Kans.....	139½	118	91	69½	60	61½	49	40	33	27	26½	26½	23	30	35½	41½	32½
Topeka, Kans.....	109	89	64	47	39	44	37	30	25½	21½	20	20	18	24½	28½	35	27
Iola, Kans.....	107	88	66	46½	38½	44½	35½	26½	23	20	21	21	19	26½	30	37½	28½
Pittsburg, Kans.....	107	88	66	46½	38½	44½	35½	26½	23	20	19	19	17½	26½	33	37½	30
June 30, 1897:																	
Omaha, Nebr.....	80	65	45	32	27	32	27	22	18½	16	22	22	17	22	23½	25	23½
Lincoln, Nebr.....	85	70	49	36	30	35	30	25	21½	19	24	24	19	20	32	32½	30½
Beatrice, Nebr.....	92	77	53	40	33	38	33	28	24½	21	25½	25½	20½	20	35½	34	32½
Columbus, Nebr.....	115	95	72	53	43	46	40	33	26½	21	26	26	21	22½	36	34	31
June 30, 1904:																	
Omaha, Nebr.....	80	65	45	32	27	32	27	22	18½	16	17	17	16	20	23½	25	23½
Lincoln, Nebr.....	85	70	49	36	30	35	30	25	21½	19	21	21	18	22	32	36½	30½
Beatrice, Nebr.....	92	77	53	40	33	38	33	28	24½	21	23	23	20	23	35½	32	32
Columbus, Nebr.....	115	95	72	53	43	46	40	33	26½	21	23	24	21	22½	36	31	31

Tariffs.—A., T. and S. F. Rwy., I. C. C. Nos. 12, 364, 462, 547, 2094, 2582, 2974; Western Trunk Line, I. C. C. Nos. 401, 455, and D-19, Joint Tariff No. 7; Union Pacific R. R., I. C. C. Nos. 27, 218, 71, 488, 1877, 1619, 1656.

# 148 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

Statement showing rates on classes and commodities, from St. Louis, Mo., to points in Indian and Oklahoma Territories, in force June 30, 1897, and June 30, 1904.

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Agricultural implements, C. L., Class A (W. C.).	Alcohol, high wines, and whisky, value 50 cents gallon, C. L.	Beer, C. L.	Cotton piece goods, C. L.	Emigrant movables, C. L.
June 30, 1897:															
Wagoner, Ind. T. ....	110	90	75	55	43	45	40	30	27	24	45	75	41	110	40
McAlester, Ind. T. ....	115	98	82	68	55	57	48	41	35	31	57	83	58	115	40
Purcell, Ind. T. ....	130	109	97	87	70	73½	58½	49	43	33½	73½	97	68	130	40
June 30, 1904:															
Wagoner, Ind. T. ....	110	90	75	58	45	47	40	30	26½	23	45	75	43	78½	25
McAlester, Ind. T. ....	120	100	85	69	55	57	49	39	35	29	55	85	55	100	40
Purcell, Ind. T. ....	130	109	97	84	67	65	53	45	37	29	60	93	48	113	43
June 30, 1897:															
Guthrie, Okla. ....	130	109	97	82	70	68½	52½	45	39½	30	68½	97	68	118	40
Oklahoma City, Okla. ....	130	109	97	82	70	68½	52½	45	39½	30	68½	97	68	121	40
June 30, 1904:															
Guthrie, Okla. ....	130	109	97	84	67	65	53	45	37	29	60	93	48	113	43
Oklahoma City, Okla. ....	130	109	97	84	67	65	53	45	37	29	60	93	48	113	43

Tariffs.—A., T. and S. F. Rwy., I. C. C. No. 12; Missouri Pacific Rwy., I. C. C. No. 1553; M., K. and T. Rwy., I. C. C. No. A-3.

Statement showing rates on classes and commodities from points in New Mexico and Arizona to Chicago, Ill., in force June 30, 1897, and June 30, 1904.

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Bones, C. L.	Hides, dry, in bales, C. L.	Wool, minimum 20,000 pounds, C. L.
June 30, 1897:													
Raton, N. Mex. ....	224	179	137	106	89	104	84	74	65½	58	56	165	125
Las Vegas, N. Mex. ....	232	206	188	162	135	147	120	95	81	72	56	165	165
Albuquerque, N. Mex. ....	232	206	188	167	135	147	126	104	87½	76	56	165	165
June 30, 1904:													
Raton, N. Mex. ....	225	185	145	117	93	100	87	72	58	51	56	165	125
Las Vegas, N. Mex. ....	232	210	180	152	122	131	111	87	73	64	56	165	165
Albuquerque, N. Mex. ....	232	210	180	152	122	131	111	87	73	64	56	165	165
June 30, 1897:													
Flagstaff, Ariz. ....	390	340	270	210	185	190	170	135	120	110	67	308	a 239
Ashfork, Ariz. ....	390	340	270	210	185	190	170	135	120	110	69	339	a 252
Kingman, Ariz. ....	390	340	270	210	185	190	170	135	120	110	75	.....	.....
June 30, 1904:													
Flagstaff, Ariz. ....	390	340	270	210	185	190	170	135	120	110	67	308	a 239
Ashfork, Ariz. ....	390	340	270	210	185	190	170	135	120	110	69	339	a 245
Kingman, Ariz. ....	390	340	270	210	185	190	170	135	120	110	75	.....	.....

a Compressed in bales.

Tariffs.—A., T. and S. F. Rwy., I. C. C. Nos. 324, 328, 739, 2196, 2601, 2964.

# DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION. 149

*Statement showing rates on pine lumber, C. L., from points in Texas, Louisiana, Arkansas, and Mississippi to St. Louis, Mo., in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

	June 30, 1897.	June 30, 1904.		June 30, 1897.	June 30, 1904.
Mount Pleasant, Tex.....	17	18	Benton, La.....	15	18
Big Sandy, Tex.....	17	18	McNeil, Ark.....	15	18
Tyler, Tex.....	17	18	Little Rock, Ark.....	15	18
Jacksonville, Tex.....	17	18	Pine Bluff, Ark.....	15	18
Lufkin, Tex.....	17	18	Hazelnurst, Miss.....	17	20
Shreveport, La.....	15	18	Jackson, Miss.....	17	20
Hamilton, La.....	15	18	Canton, Miss.....	17	20

*Tariffs.*—St. L. S. W. Rwy., I. C. C. Nos. 189, 1766; Illinois Central R. R., I. C. C. B-86, 1850.

*Statement showing rates on classes and commodities from Chicago, Ill., to St. Paul, Minn., also from St. Paul, Minn., to Chicago, Ill., in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

FROM CHICAGO, ILL., TO ST. PAUL, MINN.

	June 30, 1897.	June 30, 1904.
Class 1.....	60	60
Class 2.....	50	50
Class 3.....	40	40
Class 4.....	25	25
Class 5.....	20	20
Class A.....	25	25
Class B.....	20	20
Class C.....	17	17
Class D.....	14	14
Class E.....	13	13
Beer, C. L.....	15	15
Binding twine, C. L.....	18	18
Coal, hard, C. L.....	12½	10
Iron articles:		
Bar, band, nails, and spikes, C. L.....	10	12½
Bridge or structural, C. L.....	10	12½
Stoves and ranges, C. L.....	15	15
Oil, coal or carbon, C. L.....	15	20
Powder, common, black blasting, C. L.....	40	40
Salt, in barrels, C. L.....	12½	12½
Tin cans, C. L.....	23½	25
Tin plate, C. L.....	15	20
Cotton piece goods, C. L.....	40	40

*Tariffs.*—Western Trunk Line Joint Tariff No. 9; Special Circular No. 21; I. C. C. Nos. 491, 431.

FROM ST. PAUL, MINN., TO CHICAGO, ILL.

	June 30, 1897.	June 30, 1904.
Class 1.....	60	60
Class 2.....	50	50
Class 3.....	40	40
Class 4.....	25	25
Class 5.....	20	20
Class A.....	25	25
Class B.....	20	20
Class C.....	17	17
Class D.....	14	14
Class E.....	13	13
Cotton piece goods, C. L.....	40	40
Fresh meats, C. L.....	27	17
Flour and grain:		
Flour, C. L.....	12½	12½
Wheat, C. L.....	12½	12½
Other grain, C. L.....	12½	12½
Hay, C. L.....	15	15
Live stock:		
Cattle, C. L., S. D.....	25	25
Hogs, C. L., S. D.....	27	27
Sheep, C. L., S. D.....	27	27
Lumber, C. L.....	14	10
Malt, C. L.....	12½	12½
Packing-house products, C. L.....	18½	157

*Tariffs.*—Western Trunk Line, Joint Tariff No. 9, Special Circular No. 21, I. C. C. Nos. 491, 431; C., M. and St. P. Rwy., I. C. C. A-6146.



# 150 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

*Statement showing rates on grain and flour, domestic and export, to Galveston, Tex., from Kansas City, Mo., and points in Kansas, Indian and Oklahoma Territories, in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

	Domestic.			Export.			Export (proportional, when from beyond.		
	Flour.	Wheat.	Corn and oats.	Flour.	Wheat.	Corn and oats.	Flour.	Wheat.	Corn and oats.
June 30, 1897:									
Kansas City, Mo. ....	42	37	35	31	31	26	21	21	18
Wichita, Topeka, Iola, and Pittsburg, Kans. ....	42	37	35	31	31	26			
June 30, 1904:									
Kansas City, Mo. ....	43½	38½	30½	23	23	21	18	18	17
Wichita, Kans. ....	45½	40½	32½	28½	28½	27			
Topeka, Kans. ....	46½	41½	33½	26	26	24			
Iola, Kans. ....	45½	40½	32½	24	24	21			
Pittsburg, Kans. ....	45½	40½	32½	24	24	21			
June 30, 1897:									
Perry, Okla. ....	38	33	31	31	31	26			
Guthrie, Okla. ....	35	30	28	30	30	26			
Oklahoma City, Okla. ....	35	30	28	30	30	26			
June 30, 1904:									
Perry, Guthrie, and Oklahoma City, Okla. ....	43½	38½	32½	30½	30½	27			
June 30, 1897:									
Purcell and Pauls Valley, Ind. T. ....	32	27	25	27	27	25			
Ardmore, Ind. T. ....	29	24	22	24	24	22			
Thackerville, Ind. T. ....	29	24	22	15	15	15			
June 30, 1904:									
Purcell, Ind. T. ....	40½	35½	26	28	28	25			
Pauls Valley, Ind. T. ....	32	29	21	25	25	24			
Ardmore, Ind. T. ....	29	26	19	15	15	15			
Thackerville, Ind. T. ....	25	22	17½	15	15	15			

*Tariffs.*—A., T. and S. F. Rwy., I. C. C., Nos. 355, 2978, 2979; Southwestern Tariff Committee, I. C. C., Nos. 16, 33, 340.

*Statement showing rates on classes and commodities from Chicago, Ill., to points in New Mexico and Arizona, in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Beer, C. L.	Emigrant movables, C. L.	Packing-house products, C. L.	Soda ash, C. L.	Soap, C. L.	Wire nails, C. L.
June 30, 1897:																
Raton, N. Mex. ....	224	179	137	106	89	104	84	74	65½	58	67	59½	85½	74	74	89
Las Vegas, N. Mex. ....	232	206	188	162	135	147	120	95	81½	72	97	80	131	120	118	128
Albuquerque, N. Mex. ....	232	206	188	162	135	147	126	104	87½	76	97	90	132	125	118	128
June 30, 1904:																
Raton, N. Mex. ....	225	185	145	117	93	100	87	72	58	51	71	58	86	93	78	82
Las Vegas, N. Mex. ....	232	210	180	152	122	131	111	87	73	64	94	73	101	122	85	87
Albuquerque, N. Mex. ....	232	210	180	152	122	131	111	87	73	64	94	73	106	122	90	82
June 30, 1897:																
Flagstaff, Ash Fork, and Kingman, Ariz. ....	390	340	270	210	185	190	170	135	120	110	185	112½	185	185	144	185
June 30, 1904:																
Flagstaff, Ash Fork, and Kingman, Ariz. ....	390	340	270	210	185	190	170	135	120	110	185	112½	185	185	144	185

*Tariffs.*—A. T. and S. F. Ry., I. C. C. Nos. 324, 328, 2601, 2984.

*Statement showing rates on classes and commodities from points in Indian and Oklahoma Territories to St. Louis, Mo., in force June 30, 1897, and June 30, 1904.*

[Rates in cents per hundred pounds.]

	Class 1.	Class 2.	Class 3.	Class 4.	Class 5.	Class A.	Class B.	Class C.	Class D.	Class E.	Grain.				Hay, C. L.	Cattle, C. L.	Hogs, S. D., C. L.	Sheep, S. D., C. L.
											Flour, C. L.	Wheat, C. L.	Other grain, C. L.					
June 30, 1897:																		
Wagoner, Ind. T. ....	110	90	75	55	43	45	40	30	27	24	18	18	15	20	22½	33	41½	
McAlester, Ind. T. ....	115	98	82	68	55	57	48	41	35	31	28	28	23	20	31	41	42	
Purcell, Ind. T. ....	130	109	97	87	70	73½	58½	49	43	33½	25	25	20	20	34	42	50½	
June 30, 1904:																		
Wagoner, Ind. T. ....	110	90	75	58	45	47	40	30	26½	23	20	20	18	21½	30½	37	41½	
McAlester, Ind. T. ....	120	100	85	69	55	57	49	39	35	28	23½	23½	20	25	39	49	48½	
Purcell, Ind. T. ....	130	109	97	84	67	65	53	45	37	29	(a)	(a)	(a)	25	40	50	50½	
June 30, 1897:																		
Guthrie, Okla. ....	130	109	97	82	70	68½	52½	45	39½	30	25	25	20	20	33½	40	46½	
Oklahoma City, Okla.	130	109	97	82	70	68½	52½	45	39½	30	25	25	20	20	34	41	48½	
June 30, 1904:																		
Guthrie, Okla. ....	130	109	97	84	67	65	53	45	37	29	25½	25½	20½	25	39	49	48½	
Oklahoma City, Okla.	130	109	97	84	67	65	53	45	37	29	25½	25½	20½	25	39	49	48½	

<sup>a</sup> Combination of locals.

*Tariffs.*—A., T. and S. F. Rwy., I. C. C. Nos. 12, 364, 2094; M., K. and T. Rwy., I. C. C. Nos. A-3, 227, 262, 325, 1915, 1974; Missouri Pacific Rwy., I. C. C. No. 1553.

SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Friday, February 10, 1905.*

**STATEMENT OF JOSEPH NIMMO, JR., STATISTICIAN AND ECONOMIST, OF WASHINGTON, D. C.**

Mr. NIMMO. Mr. Chairman, I have been requested to present to your committee a petition from the New York Board of Trade and Transportation, which contains a recommendation in favor of "a special commission of Congress on interstate commerce, to thoroughly investigate all problems involved, and to report their conclusions and recommendations by bill at the opening of the next Congress." I make this recommendation the text of my present remarks, which relate especially to the constitutional and political aspects of the question now before you. And, first, I would invite your attention to

**A CONSTITUTIONAL LIMITATION OF THE POWER OF CONGRESS TO REGULATE COMMERCE AMONG THE STATES.**

Article 1 of the Constitution of the United States, in clause 6 of section 9, imposes the following constitutional limitation upon the exercise of the power of Congress to regulate commerce among the States: "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another." This provision stands for the defense of commercial liberty.

Mr. Madison, chronicler of the Constitutional Convention of 1787, states the historic fact that the main purpose had in view in framing the Constitution of the United States was to abolish certain intolerable

discriminations in the nature of regulations imposed by the States upon both the domestic and the foreign commerce of the country. Such regulations were fast driving the country to disunion.

When the convention assembled on May 25, 1787, the opinion prevailed to a considerable extent that the power to regulate commerce should not only be withheld from the States but also be denied to the National Government. But the more statesmanlike members of the convention held that the power of regulation by Congress should be asserted in some form compatible with the supreme object of maintaining commercial liberty. The first proposition of this nature, submitted by Mr. Charles Pinckney, of South Carolina, four days after the convention was organized, provided that "all laws regulating commerce shall require the assent of two-thirds of the members present in each House." On August 6 the "committee of detail" reported in favor of the proposition that Congress shall have power "to regulate commerce with foreign nations and among the several States," but that "no navigation act shall be passed without the assent of two-thirds of the members present in each House." This proposition was overruled on August 29. Finally, on September 14, three days before the signing of the Constitution, the following provision was added to section 9 of article 1, which section relates exclusively to limitations of the powers of Congress:

No preference shall be given, by any regulation of commerce or revenue, to the ports of one State over those of another.

This fully satisfied all the States and probably saved the Constitution. Apparently this limitation came rather near to the original proposition to omit from the Constitution any declaration in favor of conferring upon Congress the power to regulate commerce among the States. But it voiced the dominant sentiment of the people in favor of a government which should secure the ends of commercial liberty and meddle as little as possible with the competitive struggles of business. The practical question arises: What does that limitation imply to-day? I shall endeavor to answer that question.

Besides the ports of the Atlantic, Gulf, and Pacific coasts, Congress has from time to time created "ports" at interior points on rivers, on the Great Lakes, and on railroads, all of which ports now afford all necessary facilities for the conduct of both internal and foreign commerce. But this constitutional limitation has a much wider application. The significance of the word "port" in the Constitution was undoubtedly that which it had and still has in Great Britain. The exact meaning of the word "port," according to Lord Esher, M. R., in 15 Q. B. D., 580—a case decided in the year 1885—is "not usually the legal port as defined by acts of Parliament, \* \* \* but any place at which the loading and landing takes place." Accordingly, in the case at bar, it was ruled that "the word 'port' in a charter party is to be understood in its popular, business, or commercial sense, and not the port as defined for revenue or pilotage purposes." This is the meaning given to the word "port" by Lord Chief Justice Hale in "De Portibus Maris," chapter 2, page 46, and it is regarded by Bouvier, an accepted American authority on legal definitions, as defining the meaning of the word "port" in the United States. It applies to all places or markets where goods are shipped or received by rail or by water.

Thus the constitutional limitation that "no preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another," involves stringent restraints upon the power of Congress to regulate commerce among the States. These served at the beginning to avert the danger of disunion, and to-day they stand as a defense of commercial liberty throughout all our borders.

The question arises—did the constitutional limitation referred to practically eliminate the power vested in Congress in the eighth section of article one—namely, the power to "regulate commerce among the States?" I answer, No! In many ways not affected by the constitutional limitation the National Government has effectually and beneficially regulated commerce and transportation. There is no business in this country which is more completely the subject of legal restraint than is that of railroad transportation. The railroads are regulated not only by the National Government, but also by States, by cities, counties, towns, village boards of trustees, school districts, and by almost every other political subdivision of the State. The decisions of the courts involving the law of the common carrier and of public highways embrace volumes of judicial regulation applicable to the conduct of railroad transportation. The act to regulate commerce amplifies, extends, and particularizes the regulative principles of the common law in its application to the railroads. In view of these facts it has been asserted by an eminent lawyer that "the railroad is held to a more rigid responsibility in the courts than any other litigant." The judicial records of the country afford abundant proof of the correctness of that assertion.

But the question arises, What would be the effect of the constitutional limitation, "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another" upon an act of Congress which would confer upon the Interstate Commerce Commission the power to determine the relative rates which shall be charged on railroads engaged in interstate commerce? Experience clearly proves that it is unwise for lawyer or layman, or even legislator, to predict the judicial determination of the meaning of an act of Congress vitally affecting the commercial interaction of the people, or the question as to the constitutionality of such an act. I shall not attempt it; it is sufficient here to point to a dilemma which confronts Congress in any attempt to confer the power of rate making upon an administrative board. In case the Supreme Court should hold that an act conferring the rate-making power upon the Interstate Commerce Commission is subject to the constitutional limitation, "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another," it appears probable that such a statute would in practice be nugatory for the reason that any regulation of relative rates to or from the ports or markets of any two States by the Commission might be alleged to violate the constitutional inhibition against preference to the ports of one State over those of another. This, of course, would give rise to tedious and interminable litigation.

If, however, the Supreme Court should rule that a rate-making statute would not be subject to the constitutional inhibition mentioned, it seems evident that the multiplicity of cases arising under such a statute would overwhelm the Commission just as the assumption indulged for a while at the beginning, that the interstate commerce

act confers a dispensing power with respect to the long and short haul rule was, upon due consideration, declared by Judge Cooley to be impracticable for the reason that it imposed upon the Commission a task in practice proved to be superhuman.

#### TWO OTHER CONSTITUTIONAL QUESTIONS.

There are two other constitutional questions which may be briefly noticed in this connection.

1. The power to issue self-executing decrees is essentially a judicial function, and not one to be exercised by an administrative board. This is purely a legal question and one which may profitably engage the attention of an investigation committee of Congress.

2. Conferring the power of rate making upon the Interstate Commerce Commission by Congress would constitute an unconstitutional delegation of its legislative authority. This is an exceedingly important matter. The rule of constitutional law that Congress has no power to delegate its legislative authority is a recognized political axiom. This was clearly stated by Mr. Chief Justice Marshall in *Heyman v. Southard*, 10 Wheaton, page 42. Congress has the power to authorize any administrative office to make regulations needful to the execution of particular laws, such regulations being in execution of, supplementary to, and not in conflict with the law, but specifically in effectuation of the law. But this authority must not trench upon law making. Without discussing the question as to the distinction here drawn, it appears unnecessary to say more than to express the opinion that the power of rate making proposed to be vested in the Interstate Commerce Commission, with the unavoidable consequents of that authority, would be a much larger exercise of the power of Congress to regulate commerce among the States than has ever been exercised by Congress, and that it would constitute a clear delegation of the legislative powers of Congress. The subject is evidently one which should be carefully considered by a Congressional investigating committee.

#### WHAT CONSTITUTES COMMERCIAL LIBERTY?

We must not lose sight of the fact that commercial liberty ever has been and always will be the liberty of competitive struggle, with all the severe results of such struggles, and that governmental regulation conservative of the ends of liberty must not attempt to eliminate that struggle, but only hold it within the restraints of justice and equity. In Great Britain the only governmental restraints upon the freedom of competition recognized under the principles of the common law are restraints upon practices which are recognized as involving conspiracy, dishonesty, intimidation, molestation, or other clearly recognized wrongs. The maintenance of commercial liberty has been a problem of the ages solved by the lessons of experience and not by any populist, socialistic, or academic experiment. It is the animating purpose of the common law to enforce the principles of commercial liberty.

Let it be observed just here that the constitutional limitation already mentioned applies only to the regulation of commerce by Congress, but that the Constitution imposes no limitation upon the regulation of commerce by the courts. During the last four hundred years the *English-speaking* people have had implicit faith in the principles and

provisions of the common law, as developed, and that confidence knows no abatement.

In the light of these facts, it appears to be the duty of Congress to carefully inquire whether the proposition to give practically autocratic power to an administrative board of the Government would or would not operate as an improper barrier to the exercise of the power of the judiciary to defend the commercial liberties of the people.

#### WHAT THE PROPOSITION OF COMMISSION RATE-MAKING INVOLVES.

In order to avoid any possible misrepresentation as to the attitude assumed by the Interstate Commerce Commission toward the question of governmental rate-making, I quote as follows from its official utterances upon the subject:

In its Seventh Annual Report, dated December 1, 1893, at page 10 the Commission stated its conception of the nature and scope of governmental regulation of the internal commerce of the country as follows:

To give each community the rightful benefit of location, to keep different commodities on an equal footing, so that each shall circulate freely and in natural volume, and to prescribe schedule rates which shall be reasonably just to both shipper and carrier is a task of vast magnitude and importance. In the performance of that task lies the great and permanent work of public regulation.

The Utopian idea of placing the conduct of the commercial and transportation interest of this country under the supervision and control of an administrative bureau of the National Government "so as to give each community the rightful benefit of location, and to keep different commodities on an equal footing, so that each shall circulate freely and in natural volume" is a conception of distributive justice to which the judicial mind has never yet soared. It savors of what Napoleon scornfully characterized as "the ideology of the laws of nature."

Humanly speaking, it constitutes a striking illustration of what is commonly known as bureaucratic rule, which in all ages has proved to be the antithesis of commercial liberty. This is clearly, and as hereinafter shown, unavoidably involved in any proposition to invest the Commission with the power of rate making.

In its annual report submitted December 6, 1897, the Commission recommended that Congress should confer upon it the absolute power to prescribe rates; authorize it to issue self-executing administrative orders, and final administrative orders—a strictly judicial function—and compel the courts to sanction such orders.

These views of the Commission were subsequently expressed in a bill introduced in the Senate January 22, 1898 (S. 3354, 55th Cong., 2d sess.), which bill provided that the courts shall be required to review the rates, fares, classifications, etc., prescribed by the Commission, and further that "the case as certified from the Commission, together with any additional testimony taken by the courts, shall be the record upon which it shall be heard." The Supreme Court, however, had already declared the power of rate making to be not a judicial function, and one over which the Federal judiciary could not and would not exercise any authority. This absurd bill also proposed to confer upon the Commission absolute power to decide cases involving long and short haul rates, and to prescribe the rates and the conditions under which

transportation shall be conducted throughout the United States. It also provided that the Commission shall be authorized to issue administrative orders and final administrative orders. If enacted into law, it would have subjected the commercial, industrial, and transportation interests of this country to the absolute control of a bureau exercising a dispensing power. The bill failed to secure serious attention in either branch of Congress, and apparently produced no other effect upon the legislative mind than of astonishment.

The Commission, however, refused to abandon its purpose to acquire dispensing power. Again in the Fifty-sixth Congress—March 2, 1899, to March, 1901—it approached Congress, but this time with a bill intended to evade the rule of governmental policy announced by the Supreme Court in the Maximum Rate case, and thus to circumvent the judiciary. This bill was introduced December 12, 1899, as Senate bill 1439, Fifty-sixth Congress, first session. It provided that the companies shall first make their rate sheets, which, having been made, the Commission shall, upon complaint made either by itself or any other competent complainant, have power to revise and change the rates which have been made, thus conferring upon the Commission the right to recast every rate sheet in the country. The fallacy involved in this provision consisted in the pretense that it avoided the objection of the courts that rates made in advance of being charged and collected, even if authorized by statute, are not reviewable in the courts as to their reasonableness, from the fact that they are legislative rates. An ingenious argument in favor of just such an arrangement had been made in the Maximum Rate case, but was utterly discarded by the Supreme Court in the following terms: "The vice of this argument is that it is building up indirectly and by implication a power which in terms is not granted." The Commission ignored that declaration. Rates thus made would be legislative rates, and therefore not reviewable by the courts as to their reasonableness.

The reasoning of the Commission in this matter was too inconsequential for serious consideration. Congress also did not fail to see that the real rate maker is he who makes the rates in the last instance and not in the first instance. The bill just mentioned also proposed to confer upon the Commission the power "to prepare and publish the rules, regulations, and conditions for freight transportation," a proposition which clearly involved the creation of a dispensing power. (See section 3 of the bill.)

Like its predecessors this bill gained no favor with the national legislators. Congress was not prepared to subordinate the Federal judiciary to the Interstate Commerce Commission. Nor was it prepared to institute in this country a bureaucratic imperialism endowed with what Lord Macaulay styled, "that great anomaly known as the dispensing power," which in all ages has been an attribute of tyranny and oppression. Such the proposed expedient was clearly perceived to be at the beginning by Judge Cooley and his associates, who repudiated it absolutely.

During the Fifty-seventh Congress—March 4, 1901, to March 4, 1903—the Commission stultified itself glaringly before Congress. Until March, 1902—fifteen years after its organization—the Commission had neglected to employ the civil remedy provided in section 16 of the interstate-commerce act. Early in that month, however, the *Commission* had recourse to that provision of the law for the pre-

vention of rate cutting—a misdemeanor under the act to regulate commerce. On March 24, at the instance of the Commission, Judge Grosscup, of the northern district of Illinois, issued an order granting a temporary injunction in an important case pending at Chicago, and in so doing expressed the opinion that “the expedient might turn out to be the vitalizing of the act.” That expectation was realized. The injunction proved effectual in greatly abating, if not entirely arresting, the evil complained of. But the successful application of this provision of the act to regulate commerce ran counter to the scheme of autocratic rule which for years the Commission had had in mind.

Within one month after Judge Grosscup’s order was issued, the Commission stultified itself by appearing before the committees on Interstate Commerce of the Senate and House of Representatives in earnest advocacy of a bill providing for the repeal of so much of section 16 of the act to regulate commerce as embraces the effectual civil remedy just mentioned, and proposed to substitute in lieu thereof an amendment providing for obedience to the autocratic authority of the Commission. (S. 3575 and H. R. 8337, 57th Cong., 1st sess., the same being identical.) This attempt to emasculate the interstate commerce act was exposed and failed utterly.

Instead of repealing section 16 of the act to regulate commerce, Congress has since strengthened it and made it more effective in an act initiated by this committee. I refer to the act of Congress approved February 19, 1903, commonly known as the Elkins law.

WOULD THE FEDERAL JUDICIARY IN ANY EVENT PASS UPON A RATE FOR THE FUTURE PRESCRIBED BY AN ADMINISTRATIVE BOARD?

The proposition to confer upon the Interstate Commerce Commission the power to prescribe rates for the future is defended upon the ground that such rates would be submitted to the courts as to their reasonableness. But the question as to whether the Federal judiciary could in any event pass upon a rate for the future prescribed by an administrative board is one involved in great doubt. This is indicated as follows:

1. In deciding the Maximum Rate case (167 U. S. 479) the Supreme Court of the United States said:

It is one thing to inquire whether the rates which have been charged and collected are reasonable—that is a judicial act; but an entirely different thing to prescribe rates which shall be charged in the future—that is a legislative act.

2. At a hearing before the Senate Committee on Interstate Commerce on March 10, 1898—page 9 of the hearings—Hon. Martin A. Knapp, chairman of the Interstate Commerce Commission, said:

One doctrine is now settled—that, whereas the investigation of the question whether an existing rate is a reasonable and lawful one or not is a judicial question, the determination of what that rate shall be in the future is a legislative or administrative question with which the courts can have nothing to do.

3. At a hearing before the Senate Committee on Interstate Commerce on February 21, 1900, at page 118 of the hearings, Hon. Charles A. Prouty, Interstate Commerce Commissioner, said:

The prescribing of a rate is, under the decisions of the Supreme Court, a legislative not a judicial function, and for that reason the courts could not, even if Congress so elected, be invested with that authority.



I am strongly inclined to accept the view of Commissioners Knapp and Prouty that the courts could not have anything to do with rates for the future, and that Congress could not invest them with that authority.

In view of this difficulty, Commissioner Prouty devised a scheme for creating a practical bureaucracy in the United States which seems to have voiced the views of the Commission. As the plan which he has proposed constitutes the main feature of certain bills which have recently been introduced in Congress, I will briefly explain it.

In an address delivered before the American Economic Association in the year 1903, Mr. Prouty proposed to eliminate the legislative and judicial powers of government from any actual participation in the work of railroad regulation. This he explained as follows:

It is earnestly insisted that the freight rate is a commercial proposition which must be left to the laws of commerce, with which the Government can not safely meddle.

In this he seemed to have in mind a plan to supersede the present exercise of the powers of government. He recommended therefore that "the laws of commerce" shall be administered by means of a duplex autocratic dispensing power completely outside of our present system of government, and in effect constituting a fourth independent branch of the National Government.

Mr. Prouty explained the organic features of his plan as follows: It is to embrace first the Interstate Commerce Commission endowed with the autocratic power of prescribing all the interstate rates in the country. Referring to the "suggestion, to permit the Federal courts to review and set aside if found unreasonable the orders of the Commission," he said, "it is very doubtful whether any such system can ever give satisfactory results," and adds, "these questions are not of a judicial nature and can not be intelligently passed upon by courts." In this connection he says:

A court administers the law as it is laid down in statute or in precedent; the jury decides the fact upon the testimony of witnesses. Not so the Commission. Here is no precedent to be administered. No dispute generally arises as to the facts. The question is, What under these admitted conditions shall be done? and this question is largely one of judgment.

And again:

Such a commission is an expert body, \* \* \* its conclusion must still rest in the good judgment of its members. Its decision is the act of an expert body.

Having excluded any sort of judicial interference with the work of the Commission, Mr. Prouty declared that the conclusions of the Commission ought to be subjected to some sort of review. He proposed, therefore, a tribunal "in the nature of a commerce court"—a tribunal fully endowed with judicial attributes, namely, the power "to make decrees and execute process," to "hold office for life, and to possess all the independence of judges," its decisions to be final. Mr. Prouty earnestly protested that his proposed commerce court shall not be in any manner subject to or related to the Federal judiciary, for he maintained that the matters to be reviewed by the proposed court are "not properly law questions," but "the judgment of a quasi legislative body," and, therefore, that "the review of such a judgment is not a judicial function," and that its proceedings "are not lawsuits," the question to be decided in each case being "largely one of judgment."

Thus he proposes to create an administrative board, bearing the name of a court, and endowed with judicial attributes in the face of the constitutional provision that "the judicial power of the United States shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish." Evidently Mr. Prouty's proposed "commerce court" would be simply an administrative bureau endowed with autocratic dispensing power.

It is difficult to imagine a more glaring political solecism than the proposed commerce court endowed with judicial attributes, but without a judicial function or a legal duty to perform. Besides, the whole scheme is in a political sense revolutionary.

Referring particularly to the questions which will come before this non-judicial court, Mr. Prouty says:

These questions are not of a judicial nature, and can not be intelligently passed upon by courts.

Meaning the Federal courts.

He adds:

Federal judges are not selected for that purpose. Most of them have absolutely no experience in such matters. Their time is fully occupied with their proper duties, and the very nature of those duties in a measure unfits them to appreciate these questions.

The absurdity of this assumption is apparent. Commercial law—especially the law of the common carrier—has for centuries engaged the studious thought of the judicial mind. And yet it is gravely proposed by Mr. Prouty that all this knowledge which, by a process of evolution, has been incorporated into the very fiber of our civilization shall be set aside in favor of the emanations of the inner consciousness of a set of commissioners and of judges without judicial function, guided solely by their own introspections as to the fitness of things.

In defense of his theory Mr. Prouty says:

As well might it be provided that (the Federal) courts shall enforce the laws enacted by Congress if such laws are in their judgment reasonable and just as to permit the Federal courts to review and set aside if found unreasonable the orders of the Commission.

In this he clearly suggests that the orders of the Commission should have the same authority and dignity as the laws of Congress. The Supreme Court has declared that public policy in certain cases is what the law directs, but presumably it will be a long time before the people of this country will consent that in any case public policy shall be what the Interstate Commerce Commission directs.

The scheme thus advanced by Mr. Prouty, at Philadelphia, in the year 1903, has acquired a degree of importance which it did not have at the beginning, from the fact that it has been made the basis of two classes of bills which have been introduced during the present Fifty-eighth Congress, namely, (1) bills which fully adopt Mr. Prouty's idea of a court which is not a part of the Federal judiciary, thus creating a double-headed bureaucratic power in the United States, and (2) bills which create a court which is to be a branch of the Federal judiciary, but deny to it the power to fix rates for the future, relying finally for execution upon the legislative power conferred upon the Interstate Commerce Commission, such court being in practice a judicial superfluity.

The Hearst bill and the Townsend-Esch bill appear to be of the latter sort.

The pretense that it is necessary to confer autocratic powers upon the Commission in order to prevent exorbitant rates and unjustly discriminating rates is a delusion and a snare. Such manifestation of bureaucratic rule may have a laudable object in view. It may in particular instances be beneficent. But this much may be said of any form of despotic rule. The experiences of mankind clearly prove that the only plan for correcting abuses which arise in the course of commercial interaction compatible with the object of maintaining commercial liberty is through the determinations of an independent judiciary and by due process of law.

But the Interstate Commerce Commission appears since to have perceived certain inconveniences which might arise from the creation of the proposed interstate commerce court; at any rate it has returned to its original idea of conferring upon the Commission the absolute power of prescribing both absolute and relative rates, thus avoiding any inconvenience which might arise to its personnel from the creation of an interstate commerce court.

A DANGEROUS POLITICAL HERESY INVOLVED IN THE PROPOSITION TO  
CONFER AUTOCRATIC POWER UPON AN ADMINISTRATIVE BOARD.

During the last two thousand years there has been going on among the foremost nations of the globe a political struggle between the advocates of dispensing justice in the conduct of the interaction of commercial industrial forces through the exercise of the judicial power and the advocates of accomplishing that purpose through the exercise of autocratic administrative authority, the latter being usually performed by a bureau clothed with autocratic power or with delegated legislative authority. This autocratic governmental method—bureaucracy—was the potential cause of the downfall of the Roman Empire. It was also the chief cause of the French Revolution of 1795. The only civilized nation in which it now prevails as an unrestrained expression of governmental authority is Russia, where the people are to-day clamoring for its suppression for the reason that it constitutes an intolerable form of oppression.

In the public discussion of the present political troubles in Russia the vital question at issue is referred to as the "bureaucracy" and as the "autocracy." The two terms are practically synonymous.

The framers of the Constitution were greatly influenced in their opposition to any sort of bureaucratic governmental power by the utterances of Montesquieu in *Esprit des Lois*, which Mr. Justice Holmes has characterized as "an epoch-making book." Therein the vital importance of an independent judiciary was clearly explained. This view was highly commended by Hamilton and by Judge Story, both of whom adopted the opinion of Montesquieu that "there is no liberty if the power of judging be not separated from the legislative and executive powers." By the adoption of this view the United States became the only nation on the globe in which the "judicial power" is an independent coordinate branch of the government. By way of illustration Montesquieu pointed to the fact that certain monarchical countries of Europe which respected the independent judicial authority were conservators of personal liberty, whereas the republics of Italy which governed through a body of magistrates *unrestrained by an independent judiciary* were cruel despotisms.

In England the exercise of the power of controlling the course of the development of the commercial and industrial interests of the country by autocratic governmental authority was known as a "dispensing power." This form of despotism was abolished as the result of the British Revolution of 1688. The men who framed our present form of government repudiated any such exercise of governmental authority. But, ever and anon, men oblivious to the lessons of the political experiences of nations during the last two thousand years, announce in this and in other countries some new scheme for placing the commercial and industrial interests of the people under some form of bureaucratic control. This abominable political heresy finds expression in the attempt to confer upon the Interstate Commerce Commission autocratic powers. It is voiced in every bill now before Congress which proposes to confer upon the Interstate Commerce Commission the power to prescribe rates for the future. As already shown, it contravenes an express provision of the Constitution of the United States and goes in the face of our cherished judicial safeguards of commercial liberty. It has become the paramount political issue of the hour. It marks the parting of the ways between Americanism and autocracy; between Jeffersonianism and despotic rule.

In his first message to Congress as President, Thomas Jefferson recommended "government which shall restrain men from injuring one another and leave them otherwise free to regulate their own pursuits of industry and improvement." And in the same message he declared that—

Agriculture, manufactures, commerce, and navigation, the four pillars of our prosperity, are the most thriving when left most free to individual enterprise.

It is a sad indication of the political degeneracy of the times when men depart from the principles of true Americanism thus proclaimed, and that even those who adore the name of Jefferson seem to be ambitious to lead in the common defection from his cherished political convictions.

#### A POLITICAL SOLECISM.

Those who recommend the adoption of the bureaucratic method of government for the cure of discriminations, rebates, and other evils which arise in the conduct of railroad transportation, delude themselves and attempt to delude others by asserting in defense of their position that "new conditions demand new remedies." While the correctness of the assumed adage may be fully admitted, it is most strenuously objected that such admission does not justify the adoption of a remedy which belongs to the dead past, which has left in its wake ruined empires and kingdoms and which the English-speaking people of the world have scorned and repudiated for more than two hundred years. Such is bureaucracy! The attempt to establish an autocratic control of the commercial and transportation interests of this great and prosperous country is one of its most flagrant expressions.

All that I have said in regard to the dangers involved in the proposition to confer autocratic power upon the Interstate Commerce Commission is respectfully submitted, in the hope that it may be made the subject of investigation by a Congressional committee especially charged with that duty.

by declaring that the Interstate Commerce Commission has no such power to prescribe either absolute or relative rates and only power to decide whether the rates which have been charged and collected are or are not just and equitable, thus making the determination of the justice of rates a judicial and not a legislative question.

It requires no words to prove that such assumption of power as that, asserted by an administrative office of the National Government, if it had succeeded, would have thrown the commerce of this country into confusion and engendered sectional strife which might have endangered the integrity of the Union.

I have thus at some length attempted to describe the efforts of the Commission to gain the power to prescribe rates for the future and the probable results of the exercise of such power.

#### CONCLUSION.

The main object had in view throughout this argument has been to impress upon this committee the importance of a thorough and impartial Congressional investigation in regard to the commercial, industrial, and political aspects of the vitally important subject which now commands their attention. It is one of the most important questions which has ever been considered by the Congress of the United States.

We may profit very much in regard to the importance of legislative investigation from the example of Great Britain. Since the advent of steam railroads, about the year 1830, there have been many parliamentary investigations in Great Britain concerning the relations of the railroads to the public interests. The most notable of these are the investigations of 1840, 1844, 1846, 1852, 1865, 1872, 1881, 1888, and 1893-94. In these various reports all the more important commercial, economic, and political conditions governing the railroad transportation question in Great Britain have been investigated and reported upon.

As the result of these elaborate parliamentary inquiries, abuses of various sorts have been abated, mistaken ideas in regard to the management and regulation of the railroads have been corrected, sensible remedial expedients have been adopted, many questions at issue have been amicably settled, and public discontent has been allayed. How different has been the course pursued toward the railroads of this country by the National Government. With an area (exclusive of Alaska and our insular possessions) twenty-five times that of the United Kingdom of Great Britain and Ireland, and with 208,000 miles of railroad as against 22,000 miles in Great Britain, as before stated, we have had only one Congressional investigation of the railroad question, namely, the Senate inquiry of 1886, which resulted in the interstate-commerce act of February 4, 1887.

What is now needed is an inquiry in regard to the organization of our vast American railroad system, its relationships to the social, commercial, and industrial interests of the country, the benefits which it has conferred, the evils which have incidentally arisen in the course of its development, and the remedies which have been proposed for real or imaginary abuses. This appears to be the supreme duty of the hour. It is a duty which can not be evaded if legislation in regard to the most important material interests of this country is to be based *upon the certain lessons of experience, and not upon the uncertain leadings of public clamor.*

Mr. Chairman, I desire to submit the views of the committee (on railway transportation) of the New York Board of Trade and Transportation:

EVILS OF INTERSTATE COMMERCE—QUARLES-COOPER BILL DEFECTIVE—A JOINT CONGRESSIONAL COMMISSION ON INTERSTATE COMMERCE FAVORED.

ROOMS OF THE NEW YORK BOARD OF TRADE AND TRANSPORTATION,  
203 Broadway, New York, N. Y., December 28, 1904.

*To the New York Board of Trade and Transportation.*

GENTLEMEN: Your committee on railway transportation on the 27th of January last submitted to you a report giving reasons why you should oppose the Quarles-Cooper bill amending the interstate-commerce law. That report you adopted unanimously. We now have the honor to submit a further report in support of your action.

The more we have studied the evils and abuses of interstate commerce the firmer are we of the opinion that the Quarles-Cooper bill will not in any desirable way add to the effectiveness of the existing lawful remedy.

The delay incident to the enforcement of existing law was one of its chief weaknesses, but that condition has been in a large degree remedied since the passage of the Elkins law, February 19, 1903.

That the Quarles-Cooper bill would make no improvement in expediting the trial of complaints is evidenced by the criticism of its provisions made by Hon. John D. Kernan in his address before the Interstate Commerce Law Convention, held in St. Louis last October. Mr. Kernan was urging the importance of an amendment to the bill, which was designed to hasten the taking of additional testimony if required by the courts, and his conception of what the experience would be under the Quarles-Cooper bill without his amendment is indicated by his remark, as follows: Mr. Kernan said: "After a shipper, whose complaint is filed in his youth, dies of old age, the disposition of his case is of no use to his business." The amendment proposed by Mr. Kernan was suggested to Mr. E. P. Bacon in these rooms last year, and he, after consultation with his counsel, rejected it as being unconstitutional, and the bill in this respect remains hopelessly defective.

The greatest evils now complained of are those growing out of the private-car line, private terminal-track and side-track systems. It is not claimed by its supporters, and can not be demonstrated, that the Quarles-Cooper bill will in the slightest degree affect these abuses.

The private-car companies deny that they are under the provisions of the interstate-commerce law, and the Interstate Commerce Commission has not determined their status, neither have the courts adjudged them to be subject to such law.

The language of the Elkins law is as follows:

"And it shall be unlawful for any person, persons, or corporation to offer, grant, or give or to solicit, accept, or receive any rebate, concession, or discrimination in respect of the transportation of any property in interstate or foreign commerce by any common carrier subject to said act to regulate commerce and the acts amendatory thereto whereby any such property shall by any device whatever be transported at a less rate than that named in the tariffs published and filed by such carrier, as is required by said act to regulate commerce and the acts amendatory thereto, or whereby any other advantage is given or discrimination is practiced."

This would seem to warrant a belief that it is sufficient to reach such devices. If it is not so it should be made so. These private car line, private terminal track and sidetrack systems are devices by which, among other things accomplished, the grossest discriminations are made and rebates given. The method of evading the law, if effective to that end, is very simple. The shipper pays his freight to the railroad company. The charge so paid is the lawful tariff rate plus the regular charge for the use of the private car. The railroad company in turn settles with the private car company. Finally, the private car company pays to the shipper the rebate previously guaranteed to him. The shipper, having been assured of his rebate in advance of the transportation, has been able to calculate in his own transactions the ultimate return to himself of the amount agreed upon. By this device his goods have been transported at a less rate than those of his competitor, and he has enjoyed an advantage over him to that extent.

But these are evils which if not reached by the broad, comprehensive, far-reaching provisions of the Elkins law as supplementary to the interstate commerce act, could not be reached by the Quarles-Cooper bill. All other known forms of discrimination and preference between shippers are now forbidden by the Elkins law, and summary methods of proceeding by the courts are provided with penalties seemingly adequate, if enforced to deter such practices.

Mr. E. P. Bacon, of Milwaukee, the distinguished and able leader of the advocates of the Quarles-Cooper bill, wrote this Board October 5, 1903, as follows:

"The Elkins bill, which was enacted at the last session, seems to provide the most effectual means possible of preventing such discriminations (between shippers), either in the granting of preferential rates or the paying of rebates or by any other device. The legislation on this point seems to be as complete as it is possible to make it."

The consideration of the Quarles-Cooper bill has thus far been mainly confined to a discussion of the rate-making powers provided. This is a very important feature of the measure. Intelligent men honestly differ as to the propriety of giving such power to the Commission. The advocates of the bill deny that it gives that power except in cases determined by the Commission upon complaint, but that it empowers the Commission to require the substitution in future shipments of a rate declared to be reasonable for one declared to be unreasonable.

This provision it is declared would require the substitution "for the future" of the rate named by the Commission, but it must be observed that this interpretation of its meaning is the purest assumption, as the words "for the future" do not appear in the bill. These words "for the future" were in all the original bills and in the draft of the Quarles-Cooper bill, but before its introduction in the present Congress, they were stricken out by Mr. Bacon and his counsel lest their presence would cause the courts to adjudge the bill unconstitutional. Thus the bill is intended by its advocates to accomplish by obscure language the doing of something which, if plainly declared, they themselves believed unconstitutional. It is not probable that the eye of the Supreme Court of the United States would fail to penetrate this disguise.

But this provision is open to a radically different construction which, if held, will utterly confound those who, trusting to their leaders, look for relief from its passage.

As stated above, it is intended that the rate substituted by the Commission for the rate complained against shall apply to future shipments. Serious doubt can well be raised that this construction would be sustained. A complaint is made against the validity of a specific charge or rate made upon a specific shipment. The case is tried and determined, as Mr. Kernan said, after the complainant "has died of old age." The difference between the shipper and railroad on that shipment is adjusted, but there is nothing in the bill which provides that the railroad shall not charge the same rate upon the next shipment, and the framers of this bill dare not make the language so as to explicitly provide that the corrected rate shall apply "for the future."

The existing Elkins law on the other hand does not run amuck with any such doubtful construction of its terms.

But it is said it gives the Commission no power to correct the rates or to declare a lawful rate. The Elkins act is specific in forbidding any unlawful rate and clearly elucidates what rates are unlawful. It with equal directness declares the "tariffs published and filed by such carrier" to be lawful. The Commission after investigation could do no more. If the carriers are held rigidly to their tariff rates it matters not much what those tariffs are if all shippers are charged and required to pay alike, and excessive tariff rates are no longer to be accounted with to the same extent as formerly. Hon. Martin A. Knapp, chairman of the Commission, at a public hearing before the Senate Committee on Interstate Commerce, March 18, 1898, made the following declaration:

"The question of excessive rates, that is to say, railroad charges, which in and of themselves are extortionate, is pretty nearly an obsolete question."

Furthermore, the penalties under the Elkins law are heavier. In this respect it provides that—

"Every person or corporation who shall offer, grant, or give or solicit, accept or receive any such rebates, concession, or discrimination shall be guilty of a misdemeanor, and on conviction thereof shall be punished by a fine of not less than one thousand dollars nor more than twenty thousand dollars."

The corresponding provisions of the Quarles-Cooper bill are as follows:

"The offending party shall be subject to a penalty of five thousand dollars for each day of the continuance of such violation, which, together with costs of suit, shall be recoverable by said Commission by action of debt in any circuit court of the United States, and when so recovered shall be for the use of the United States."

This provision of a per diem penalty was manifestly written to fit the bill when it contained the words "for the future," and is doubtless retained in the belief that the bill would apply to future shipments. The maximum penalty therefore is \$5,000 per day under the Quarles-Cooper bill, whereas under the Elkins law each and every specific violation of the act is an offense punishable by a fine of \$20,000, whether there is one offense per day or one hundred offenses per day, each paying a penalty.

And again, the Quarles-Cooper bill provides that the penalty "shall be recover-

able by said Commission by action of debt," requiring such special litigation subject to delays and doubts of ever reaching a conclusion or that the penalty would ever be actually imposed.

On the other hand the Elkins law provides that offending persons upon conviction of the offense "shall be deemed guilty of a misdemeanor 'and' shall be punished by a fine," etc.

It seems to us that the advocates of the measure made a fatal confession of the serious doubt they entertained of its constitutionality when they struck from it the words "for the future."

This raises the question as to whether the Federal judiciary would in any event pass upon a rate for the future prescribed by an administrative board, and this does not appear to be involved in any doubt. This is indicated as follows:

1. In deciding the *Maximum Rate Case* (167 U. S., 479), the Supreme Court of the United States said:

"It is one thing to inquire whether the rates which have been charged and collected are reasonable—that is a judicial act; but an entirely different thing to prescribe rates which shall be charged in the future—that is a legislative act."

2. At a hearing before the Senate Committee on Interstate Commerce on March 10, 1898, page 9 of the hearings, Hon. Martin A. Knapp, chairman of the Interstate Commerce Commission, said:

"One doctrine is now settled—that whereas the investigation of the question whether an existing rate is a reasonable and lawful one or not is a judicial question, the determination of what that rate shall be in the future is a legislative or administrative question with which the courts can have nothing to do."

3. At a hearing before the Senate Committee on Interstate Commerce on February 21, 1900, at page 118 of the hearings, Hon. Charles A. Prouty, Interstate Commerce Commissioner, said:

"The prescribing of a rate is, under the decisions of the Supreme Court, a legislative, not a judicial, function, and for that reason the courts could not, even if Congress so elected, be invested with that authority."

And yet the advocates of the Quarles-Cooper bill propose that Congress shall elect to require the Federal judiciary to pass upon a rate for the future prescribed by the Commission.

Thus far we have omitted to refer to the provisions of the second section of the Quarles-Cooper bill which invests the Commission with the power "to prescribe the just relation of rates to or from common points." This feature, we think, requires some attention, as it is perhaps the most important provision in the bill as relating to the interests of the city of New York.

To illustrate what the effect of this provision would be, we state that, if this second section is enacted it will give the Interstate Commerce Commission the power to fix rates and to determine absolutely what differentials shall exist as between New York, Philadelphia, Baltimore, and Boston from Chicago or any other common point; also what just relation of rates shall be enforced as between Chicago and New York to common points in the South.

This means that an autocratic administrative board would be endowed with the arbitrary power of artificially apportioning the trade of the country between such places as it should determine. We do not think that such a body as the Interstate Commerce Commission should be permitted to assume the power arbitrarily to so apportion the trade of the country to nullify natural and acquired advantages in one locality and confer the favors of trade and commerce upon other localities by their dictum. This is precisely what they have done in at least one case and what they attempted to do in another against New York. In the decision of the Interstate Commerce Commission, filed April 30, 1898, in the case of the *New York Produce Exchange v. The Baltimore and Ohio Railroad* and other lines, being a determination in the question of differentials existing against New York (*Interstate Commerce Reports*, Vol. VII, pp. 669 and 670), the Commission, among other things, said:

"In 1882 about 65 per cent of all the exports from the United States exported through the Atlantic and Gulf ports passed through the port of New York. The same year 80 per cent of all the imports into the United States by way of these same ports came in at the port of New York. It will be seen, therefore, that during that year, being the year when the advisory commission pronounced upon the reasonableness of these differentials, New York practically engrossed the foreign trade of this country. A preliminary question is, How far is the port of New York entitled, or how far can that port expect to continue, to enjoy that commercial supremacy?"

"Plainly not to the same extent. It would be in accordance neither with the theory of our institutions nor with the history of the development of our nation to permit any one port upon our vast extent of seacoast to monopolize the trade with foreign nations."



of that innumerable host whose money built the railroads of this country and whose savings were invested in them, relying upon existing statutory and constitutional safeguards.

An organization has been formed for the purpose of doing, in their interest and in the public interest, very much of the work that has been done in behalf of the shippers of the country, in drawing public attention to the matters involved in this agitation, with a view of spreading the truth in the country and endeavoring as far as possible to bring the public to a correct understanding of the questions.

It will be necessary for me as I proceed to touch somewhat upon the course pursued by the interstate-commerce law convention and Mr. Bacon, and to explain the circumstances which immediately led to the formation of the association.

I live, as I say, in Bridgeport, Conn.

Senator CARMACK. Before you proceed, I did not understand exactly whom you represent. You speak of an organization; an organization of stockholders?

Mr. DAVENPORT. An organization of the people who are interested in the securities of railway companies.

Senator CARMACK. What particular companies?

Mr. DAVENPORT. I will explain later, with the Senator's permission.

Senator CARMACK. I thought you were about to pass from that.

Mr. DAVENPORT. Oh, no. I have got to come to that.

In my town of 80,000 people there are 42,000 depositors in our four savings banks, and they own \$6,000,000 of the securities of these railway companies.

In my State there are some 475,000 depositors in our savings banks, and they own some \$82,000,000 of these securities.

In the six States of Maine, Connecticut, Massachusetts, New Hampshire, New Jersey, and New York there are nearly 5,200,000 depositors, and they own collectively nearly \$500,000,000 of the securities of these railway companies.

There are a large number of gentlemen associated in this matter who are policy holders in the insurance companies, and I want to call your attention to the facts in regard to those companies. There are almost 5,000,000 ordinary policy holders in the life insurance companies of the United States. There are also some 14,000,000 industrial policy holders in the four or five insurance companies which write that kind of policies. These life insurance companies have about \$800,000,000 of these railway securities.

The fire insurance companies in my State write one-sixth of the policies of the United States, and over one-half of the assets of all the fire insurance companies in the United States are invested in these railway companies.

The various educational institutions of this country are also heavy owners.

As a result of my inquiries and communications I have ascertained that one-sixth of all the railway properties in this country are owned by the savings banks of those six States (and of course that means owned by the depositors in the savings banks), the fire and life insurance companies, and the educational institutions. Of course that does not take into account the various trust and other investment companies. So that I think I may say, without any reason to apprehend *contradiction*, that the real owners of the railroads of this country are

the plain people of this country; they are the people whose moneys are invested in those securities; and whoever seeks to array the Government of the United States against those properties is really seeking to array the Government of the United States against the people of the United States.

As I say, it will be necessary for me a little later to take up the subject of what led immediately to the formation of this organization; but before doing so I think it would be well to turn your attention briefly to one or two of the difficulties in the way of any action by Congress looking toward railway-rate regulation.

Of course, we are all familiar with the fact that Congress is clothed with power to regulate commerce with foreign nations, among the several States, and with the Indian tribes, but we do not always turn our attention to the constitutional limitations upon the exercise of that power. You know the Supreme Court of the United States has expressly decided that the power to regulate commerce, with all its reach, is confined and limited by the constitutional limitations upon the exercise of that power. We know that they have said that the power to regulate commerce is limited by the clause of the Constitution to the effect that no person's property shall be taken without due process of law, which is in one of the first ten amendments; that no person's property shall be taken for public use without just compensation, and that the right of trial by jury in civil cases shall exist where more than \$20 is involved. But what I want more immediately to direct your attention to, Senators, is another limitation upon that power, in regard to which I have neither seen, heard, nor read any comment in all the discussions that have been had here in my presence or in the committee of the other branch of Congress or in the debates in the House of Representatives. That limitation is this:

No preference shall be given, by any regulation of commerce or revenue, to the ports of one State over those of another.

That limitation exists upon the power of Congress to regulate rates and to regulate commerce just as one exists in regard to the imposition of taxes. You know that although the power is given to Congress to lay and collect taxes at the same time it is provided that no capitation or other direct tax shall be imposed except according to the population of the States. And you remember that it was upon that rock that the income tax law was wrecked, the court holding that the tax upon the income from land was a direct tax, and that inasmuch as there was no provision made for it in the act to conform to the constitutional requirement, and as it was inseparable from the rest of it, the act fell in regard to that matter.

Now, I invite your attention most respectfully to what is involved in this proposition, what consequences are involved, and I have taken the pains to obtain from the Treasury Department a list of the ports of the United States in the several States, which is made up to July 1, 1904, and which I will ask may be printed here in connection with my remarks so that the committee and the Senators who may hereafter have occasion to refer to what is now said, and all others who may have occasion to read what is here said may have an opportunity to see the bearing of this matter I am now speaking of upon any bill that you may see fit to report and which may hereafter be enacted.

## 174 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

List of customs districts and ports of entry and delivery, July 1, 1904—Continued.

District.	Ports of entry.	Ports of delivery.
Florida—Continued.		
St. Augustine .....	St. Augustine (Jenesn, subport of entry).	
Key West .....	Key West (Punta Gorda, Palm Beach, Miami, subports of entry).	
Tampa .....	Tampa	
St. Marks .....	Cedar Keys (Port Inglis, subport of entry).	St. Marks, Magnolia, Ocala.
Apalachicola .....	Apalachicola (Carrabelle, subport of entry and delivery).	
Pensacola .....	Pensacola	
Alabama:		
Mobile .....	Mobile	Montgomery.
Mississippi:		
Pearl River .....	Gulfport	Scranton, Horn Island, Ship Island.
Natchez .....	Natchez	Grand Gulf.
Vicksburg .....	Vicksburg	
Louisiana:		
New Orleans .....	New Orleans	Wheeling, W. Va.; Council Bluffs, Iowa; Cincinnati, Ohio; Louisville, Ky.; St. Louis, Mo.; Sioux City, Iowa; Memphis, Tenn.; Evansville, Ind.; Burlington, Iowa; Dubuque, Iowa; Leavenworth, Kans.; Omaha, Nebr.; Kansas City, Mo.; St. Joseph, Mo.; Shreveport, La.; La Crosse, Wis.; Chattanooga, Tenn.; Dayton, Ohio; Portsmouth, Ohio; Paducah, Ky.; Lincoln, Nebr.; Knoxville, Tenn.
Teche .....	Brashear (Morgan City)	
Texas:		
Galveston .....	Galveston (Velasco, Sabine Pass, subports of entry).	Houston.
Saluria .....	Eagle Pass	San Antonio, Matagorda, Copano, Lavaca.
Corpus Christi .....	Corpus Christi (Laredo, Aransas (Rockport), subports of entry).	
Brazos de Santiago .....	Brownsville	
Paso del Norte .....	El Paso	
California:		
San Diego .....	San Diego	
Los Angeles .....	Los Angeles (Santa Barbara, subport of entry).	
San Francisco .....	San Francisco (Oakland, subport of entry).	Vallejo, San Luis Obispo.
Humboldt .....	Eureka	Crescent City.
Oregon and Washington:		
Southern district of Oregon.	Coos Bay (Empire City)	Ellensburg, Port Oxford, Gardiner.
Yaquina .....	Yaquina	Newport.
Oregon .....	Astoria	
Willamette .....	Portland	
Puget Sound .....	Port Townsend (Aberdeen, Anacortes, Bellingham, Blaine, Everett, Friday Harbor, Grays Harbor, Danville, Northport, Port Angeles, Roche Harbor, Seattle, Spokane, Sumas, Tacoma, subports of entry).	
Alaska:		
Alaska .....	Juneau (Eagle, Ketchikan, Kodiak, Sitka, St. Michael, Skagway, Unalaska, Wrangel, Nome, Valdez, subports of entry).	
Montana and Idaho:		
Montana and Idaho .....	Great Falls	Bonnors Ferry.
Minnesota:		
Minnesota .....	St. Paul (Minneapolis, subport of entry).	
Duluth .....	Duluth	
Wisconsin:		
Milwaukee .....	Milwaukee	Kenosha, Racine, Sheboygan, Green Bay, Depere.
Michigan:		
Michigan .....	Grand Haven	Cheboygan, Manistee, Ludington.
Huron .....	Port Huron	Saginaw.
Detroit .....	Detroit	
Superior .....	Marquette (Superior, Ashland, Gladstone, subports of entry).	Sault Ste. Marie, Mackinaw.
Port of delivery .....		Grand Rapids.

# DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION. 175

*List of customs districts and ports of entry and delivery, July 1, 1904—Continued.*

Districts.	Ports of entry.	Ports of delivery.
Indiana and Illinois: Chicago.....	Chicago.....	Waukegan, Michigan City, Coal City, Ill., Cairo, Ill., Rock Island, Peoria, Galena.
Indiana:		Indianapolis.
Ohio: Miami..... Sandusky..... Cuyahoga.....	Toledo..... Sandusky..... Cleveland (Conneaut, subport of entry).	Fairport.
Port of delivery.....		Columbus.
Colorado: Ports of delivery.....		Denver, Pueblo, Durango, Leadville.
Arizona: Arizona.....	Nogales (Douglas, Naco, subports of entry).	
North and South Dakota: North and South Dakota.....	Pembina, N. Dak. (Portal, N. Dak., subport of entry).	Sioux Falls, S. Dak.
Tennessee: Port of delivery.....		Nashville, Tenn.
Iowa: Port of delivery.....		Des Moines, Iowa.
Utah: Port of delivery.....		Salt Lake City.
Hawaiian Islands: Hawaii.....	Honolulu (Hilo, Kahului, Koloa, Mahukona, ports of entry and delivery).	
Porto Rico.....	San Juan (Aguadilla, Arecibo, Arroyo, Fajardo, Humacao, Mayaguez, Ponce, Guanica, subports of entry).	

*Ports at which merchandise may be entered for transportation to other ports without appraisement under the act of June 10, 1880.*

• Astoria, Oreg.	Honolulu, Hawaii.	Portal, N. Dak.
Baltimore, Md.	Island Pond, Vt.	Portland, Me.
Bangor, Me.	Key West, Fla.	Portland, Oreg.
Bath, Me.	Laredo, Tex.	Port Townsend, Wash.
Beecher Falls, Vt.	Los Angeles, Cal.	Richford, Vt.
Boston, Mass.	Marquette, Mich.	Rochester, N. Y.
Burlington, Vt.	Miami, Fla.	St. Albans, Vt.
Calais, Me.	Milwaukee, Wis.	San Diego, Cal.
Charleston, S. C.	Mobile, Ala.	San Francisco, Cal.
Chicago, Ill.	New Orleans, La.	Sault Ste. Marie, Mich.
Cleveland, Ohio.	Newport, Vt.	Savannah, Ga.
Detroit, Mich.	Newport News, Va.	Seattle, Wash.
Duluth, Minn.	New York, N. Y.	Sioux City, Iowa.
Eagle Pass, Tex.	Niagara Falls, N. Y.	Tacoma, Wash.
Eastport, Me.	Nogales, Ariz.	Tampa, Fla.
El Paso, Tex.	Norfolk, Va.	Toledo, Ohio.
Everett, Wash.	Ogdensburg, N. Y.	Vanceboro, Me.
Fernandina, Fla.	Pensacola, Fla.	Wilmington, N. C.
Galveston, Tex.	Philadelphia, Pa.	
Gladstone, Mich.	Port Huron, Mich.	

*Ports to which merchandise may be transported without appraisement under the act of June 10, 1880.*

Albany, N. Y.	Columbus, Ohio.	Evansville, Ind.
Astoria, Oreg.	Council Bluffs, Iowa.	Everett, Wash.
Atlanta, Ga.	Dayton, Ohio.	Fall River, Mass.
Baltimore, Md.	Denver, Colo.	Galveston, Tex.
Bangor, Me.	Des Moines, Iowa.	Gladstone, Mich.
Bath, Me.	Detroit, Mich.	Grand Haven, Mich.
Boston, Mass.	Dubuque, Iowa.	Grand Rapids, Mich.
Bridgeport, Conn.	Duluth, Minn.	Greenbay, Wis.
Buffalo, N. Y.	Dunkirk, N. Y.	Hartford, Conn.
Burlington, Vt.	Durango, Colo.	Honolulu, Hawaii.
Calais, Me.	Durham, N. C.	Indianapolis, Ind.
Charleston, S. C.	Eagle Pass, Tex.	Jacksonville, Fla.
Chicago, Ill.	Eastport, Me.	Kansas City, Mo.
Cincinnati, Ohio.	El Paso, Tex.	Key West, Fla.
Cleveland, Ohio.	Enfield, Conn.	Knoxville, Tenn.
Coal City, Ill.	Erie, Pa.	Laredo, Tex.

Then he takes up the rates from New York to Chicago, and from Chicago to San Francisco, and shows that goods going on the same train to points on the Pacific coast from New York actually pay less per 100 pounds than the goods going from Chicago to points this side of San Francisco, and he points out the fact that from Lincoln, Nebr., to Galveston the rate is less than from Lincoln to New York, and so on.

You are, of course, all familiar with the long struggle that has been going on for twenty-odd years between Boston and New York on the one side, and Philadelphia, Baltimore, and Newport News on the other, over the differentials that exist between those ports. Take grain, for instance, from points on the Mississippi River; the rate per hundredweight from the Mississippi River to Newport News and Baltimore is  $1\frac{1}{2}$  cents less than it is to Boston and New York, and it is a cent less to Philadelphia.

I appeal to you Senators as lawyers, and as practical men also, that if Congress assumes the work of regulating railway rates, it will be bound, by the limitation of the Constitution I have referred to, to wipe out every differential of every character between the several ports. It needs but the suggestion to bring to your attention the vast consequences of such a course. For remember that if this Esch-Townsend bill becomes a law the whole power of making rates will be vested in the tribunal to be created under that bill. You can not disguise it, you can not blink at it, you can not hoodwink anybody when they come to look at it. The full power to determine rates is vested in that body, and when they exercise that power they will be bound to exercise it according to the constitutional requirements.

Of course, should they attempt to do otherwise, the Supreme Court of the United States will say to them: You are as much bound by that limitation as Congress is, and you would have no more right to establish by law a differential in favor of Newport News or Baltimore as against Boston and New York than Congress would have. I think it is not necessary for me to point out to you that if a bill should be introduced in Congress to directly declare that the rate—

The CHAIRMAN. Let me interrupt you there. Why should not the Commission be able so to make these differentials as to be reasonable; is it your argument that it would be a discrimination against ports?

Mr. DAVENPORT. Certainly, it is a preference.

The CHAIRMAN. Suppose the rates were established to points other than ports?

Mr. DAVENPORT. I wish to say to you that the minute you begin to adjust these things you have got to go the whole figure.

Senator DOLLIVER. You mean that the rates could not be adjusted without giving a preference to some port or ports?

Mr. DAVENPORT. It could not be done.

Senator DOLLIVER. There is a difference in distance.

Mr. DAVENPORT. But that is another matter.

Senator FORAKER. Why should there be a differential?

Mr. DAVENPORT. I was calling attention to the fact of the tremendous revolution that will necessarily take place in the principle of rate making should you Senators pursue the course which it seems as if Congress were inclined to pursue.

Senator NEWLANDS. Your argument is that the differential enters *largely into the existing system*?

Mr. DAVENPORT. Yes, sir.

Senator NEWLANDS. And to give that power to a national commission would mean a revolution in that system?

Mr. DAVENPORT. Absolutely.

Senator NEWLANDS. And would mean a change in business conditions of those ports?

Mr. DAVENPORT. Not only of every one of the different ports, but throughout the country and to every railroad.

I hope to be allowed to proceed without interruption for the present, because interruption leads me off a little from the line of my thought, though I shall be glad to answer questions later.

I was saying that no lawyer, I take it, reflecting upon it, would contend that Congress could by direct legislation establish a differential in favor of one port over another. A man comes to New York with his goods, to Philadelphia with his goods, or to Newport News with his goods, and wants to ship them to Chicago. You can not, by any regulation of commerce, say to him, you shall pay a certain amount more per hundredweight to carry it from one port rather than the other. You are tied down by that limitation. If I had time I could go a little into the history of that clause of the Constitution for the purpose of showing why it is so.

If you will pardon me for talking in this desultory way, I would like now to call attention to another thing. There is another limitation on the exercise of this power, which the Supreme Court has repeatedly pointed out, and that is that the rate must not be confiscatory. The power to regulate commerce is also limited by the clause of the Constitution that a person's property shall not be taken for public use without just compensation. Considering those two limitations together, I ask you, as lawyers and as business men, what would be the necessary effect of this legislation? I defy the wit of man to conceive of any method of fixing rates that will conform to the constitutional requirement that I first spoke of, except to make them at so much per ton per mile, or at so much per hundredweight per mile, on every railroad in the country, making no distinction as to ports. You must make every man pay so much per ton for hauling his goods a certain distance, in every direction, on every railroad.

For, remember, that all these ports must be taken into account when the law-making body (which, of course, will be your Commission) in this respect undertakes to determine these things.

Senator Foraker asked me a question, which becomes very pertinent right here—why should there be a differential? Why is it, as to the rate from Boston, when the distance is so much greater to Atlanta or Montgomery than it is from Chicago, that we are allowed to transport our goods down to that country for a greater distance for less money? You know that it is because water transportation from Boston to southern ports forces the railroads to carry freight at a less rate, and if you undertook to put in force such a principle, as I contend must be put in force, you would have this condition: Either you have got to raise the rate from Boston to Atlanta and Montgomery (and points that way), or you have got to lower the rate from Chicago to those points. Any man of sense, who is familiar with the conditions of the country, knows that you can not lower those from Chicago to those points.

Senator DOLLIVER. Why not?

Mr. DAVENPORT. Because they are not high enough now.

Senator NEWLANDS. Not high enough to be compensatory to the railroad companies, you mean?

Mr. DAVENPORT. Yes, sir. But if you raise the rate from Boston to those points what will be the condition? You bankrupt almost every road that transacts such business. The only other remedy you can point out will be that you must bring the water carriers under the provisions of this law and so adjust the rates that both water and land carriers can live, or bankruptcy of the railroads is the inevitable outcome.

I have briefly called your attention to these points, Senators, for the purpose of suggesting to you how vital, how absolutely necessary it is, in passing upon questions of this kind, to pause and reflect upon the results that may follow. For what would happen? I appeal to you as fellow-citizens here and as United States Senators—what would happen if you did something which, in the operation of the law, should be injurious to these railroad properties?

Take, for instance, insurance companies. What little I have endeavored to save in this world has been by taking insurance in these companies. Let it be once understood that the assets of these companies, over one-third of which is invested in these securities—let it once be understood that their values are impaired, and you know very well that people will cease insuring in those companies. My hope, as an insurance policy holder, is that people will continue to insure in those companies, so that when my turn comes, of what I have endeavored to save in that way something may go to my family when they shall need it.

What would happen in regard to these savings banks? Let it be once understood by the people of this country that the property in which their savings are invested is imperiled or rendered insecure, and what will happen? Imagination is appalled at the consequences. In my State 37 per cent of the savings of the people are invested in these securities.

I have here in my pocket a table showing the amount of deposits, number of depositors, and amounts invested in railway securities in the savings banks of only six States. With the permission of the committee I should like to have this table embodied in my statement.

*Savings banks.*

State.	Number of depositors.	Total deposits.	Railway securities owned (book values).	Per cent of deposits.
New York.....	2,365,583	\$1,131,281,943	\$177,444,223	15.69
New Jersey.....	242,605	76,816,793	20,334,178	26.64
New Hampshire.....	159,966	66,140,710	23,746,521	35.90
Massachusetts.....	1,723,015	608,415,409	113,397,287	18.64
Connecticut.....	474,548	220,597,198	82,265,024	37.29
Maine.....	209,011	75,107,203	25,166,863	38.61
Total.....	5,174,718	2,177,859,256	442,354,086	20.31

But there is something more extensive in the operation of this thing than anything I have yet called your attention to. In my State we write fire insurance also. There are \$28,000,000,000 of fire risks in *force in this country*. There is almost none of your constituents who

has not a fire-insurance policy upon his household furniture, his home, his barn, or some other property. When you consider that there is only about \$90,000,000 worth of property altogether in this country, and when you consider the proportion of that property which is combustible, you can see that that property is practically plastered all over with these fire policies. The stability of every one of those companies depends upon the maintenance of the value of these railway securities, because over half of all their assets are invested in those properties.

Senator CARMACK. Do I understand you to say that one-half of the assets of all the fire insurance companies of the country are invested in railway securities?

Mr. DAVENPORT. More than that. For instance, in my State we have the Hartford Fire and the Aetna Fire insurance companies and two or three others. One-sixth of all the fire risks of the country are written in Hartford, and 58 per cent of their assets are invested in railway securities, while some of the other large companies of the country have seven-eighths of their assets so invested.

Senator DOLLIVER. Some insurance companies want Government regulation similar to that proposed here.

Mr. DAVENPORT. Do they?

Senator DOLLIVER. I have seen that statement in the newspapers.

Mr. DAVENPORT. I have seen it in the papers. That is an old idea that was brought out forty years ago. You will have among you as a fellow Senator soon a gentleman from Hartford, Mr. Morgan G. Bulkley, president of the Aetna Life Insurance Company, who is entirely familiar with the history of these matters, and he can tell you what the history of that matter has been. I saw an interview with him in some newspaper recently in regard to the matter.

But I want to follow this a little further in regard to the constitutional limitations, because I know there is no man here who wants to do anything wrong, who wants to do anything that is foolish, or who wants to do anything that in the near future will prove to be speedily and permanently unpopular. There is another limitation, Senators, on the exercise of this power, and that is this: While Congress has the power to regulate commerce between the States, it has no control, of course, over commerce within a State. What vast consequences follow from that limitation! Congress has no more power over the domestic business of a State than it has over that of Canada. My State has no more power over interstate commerce than it has over the commerce of the German Empire. They are separated by a gulf as wide as the Atlantic ocean.

What follows from that? Sitting in the gallery of the House the other day I heard Congressman after Congressman say, If you don't pass this Esch-Townsend bill you will bring about Government ownership of the railways. And gentlemen on the other side would get up and say, if you pass this bill you are taking a tremendous stride towards Government ownership.

Why, Senators, Government ownership of railways in this country is an impossibility. Not until the Constitution of the United States is amended, not until three-fourths of the States of the Union shall consent to amend it, would it be possible for the United States Government to acquire ownership of these railroads. Why? Because, under the limitations of the Constitution, you are confined necessarily to business between the States. Granted all your power over post-



offices and post-roads, your military power and all other power, and yet it is written and bedded in the very substratum of our Constitution that the control over domestic commerce is in the States, and that the control of Congress is confined to commerce between the States, between the United States and foreign nations, and with the Indian tribes. Suppose you should undertake to buy or condemn the rail-ways of the country, where would you be? Of what consequence would it be? If you issue the bonds necessary to take over the rail-roads you would not advance a step, because you could not enter into the business of carrying the people or transporting freight from a point in one State to another point in that State. So when we have this specter paraded before us to sway us from—

Senator DOLLIVER. I do not quite understand that. Do you mean to say that the Government, if it owned the roads, would have less rights in your State than private citizens would have?

Mr. DAVENPORT. Absolutely so. You could not undertake to carry a passenger from Hartford to New Haven.

Senator DOLLIVER. I notice that the Government, in 1865, seems to have authorized private citizens to build railroads in a State regardless of regulation.

Mr. DAVENPORT. There is no doubt about that.

Senator DOLLIVER. It seemed to me that that might suggest the power to operate a railroad after it was built.

Mr. DAVENPORT. I think if the honorable Senator will reflect upon that with his usual care, he will come to the conclusion that the Government of the United States, with all its reach and power, can not enter into the business of transporting passengers or freight from a point within a State to another point within the same State.

The CHAIRMAN. The Government could not regulate such business?

Mr. DAVENPORT. It could not. I am talking about the threats or fears of Government ownership, which, in the language of the street, make me tired.

The CHAIRMAN. It would destroy the sovereignty of the State, you mean?

Mr. DAVENPORT. The Government could not do it.

Senator NEWLANDS. Your contention is that while the National Government could construct or purchase railroads running from the Atlantic coast to the Pacific coast, and while it could conduct the business of carrying the mail and things necessary for military defense, and could engage in interstate commerce from a point in one State to another point in another State, yet it could not carry either passengers or freights from a point in one State to another point in the same State. Is that your contention?

Mr. DAVENPORT. That is the position I take. It can not engage in any such business.

That brings me, Senators, to the consideration of the interesting proposition which the honorable Senator from Nevada (Mr. Newlands) has advanced in the Senate—a most interesting proposition, and it seems to me one conceived by a statesman. But there is that same awkward, inconvenient obstacle in the way, and that is the Constitution of the United States; because, suppose you incorporated all the railroads in this country under Federal acts of incorporation, and they started in to do business; under the decisions of the Supreme Court of the United States Congress would not have any power to regulate

the commerce that is wholly within a State. On the contrary it could not exclude the State from doing so under the decision, as I understand it, in the Reagan case and the Nebraska case of *Smyth v. Ames*. You could not exclude them from local business, because that is entirely within the control of the State and the Government can not touch it. You can not exclude the State, and vice versa, so far as the Federal Government is concerned. Consequently, it seems to me that if any such proposition as that is to have vogue in this country hereafter it will be necessary to begin by amending the Constitution of the United States so as to give Congress control over all domestic commerce, as it has over interstate commerce. So much for that.

Now, Senators, in that connection there is another point to which I wish to direct your attention, and which will be an awful snag in the way of carrying out any legislation you may attempt along any of the lines that have been proposed hitherto. I am following out this suggestion that the power of Congress is limited to the control of interstate commerce and to the regulation of interstate commerce. The power to regulate domestic commerce is confined to the State. The Supreme Court of the United States has decided in the Nebraska case and several other cases that in determining what shall be a reasonable rate you must shut out of view entirely all considerations of the domestic commerce, business and property. I have with me the remarks of the court on that point, and it is unnecessary for me to indicate to the acute minds around this table the significance of it. In this case of *Smyth v. Ames* (169 U. S., 540) the Supreme Court said:

It is further said in behalf of the appellants that the reasonableness of the rates established by the Nebraska statute is not to be determined by the inquiry whether such rates would leave a reasonable net profit from the local business affected thereby, but that the court should take into consideration, among other things, the whole business of the company; that is, all its business, passenger and freight, interstate and domestic. If it be found upon investigation that the profits derived by a railroad company from its interstate business alone are sufficient to cover operating expenses on its entire line, and also to meet interest and justify a liberal dividend upon its stock, may the legislature prescribe rates for domestic business that would bring no reward and be less than the services rendered are reasonably worth, or must the rates for such transportation as begins and ends in the State be established with reference solely to the amount of business done by the carrier wholly within such State, to the cost of doing such local business, and to the fair value of the property used in conducting it, without taking into consideration the amount and cost of its interstate business and the value of the property employed in it? If we do not misapprehend counsel, their argument leads to the conclusion that the State of Nebraska could legally require local freight business to be conducted even at an actual loss if the company earned on its interstate business enough to give it just compensation in respect of its entire line and all its business, interstate and domestic. We can not concur in this view.

Now, mark the significance and the vast consequences of this decision.

In our judgment, it must be held that the reasonableness or unreasonableness of rates prescribed by a State for the transportation of persons and property wholly within its limits must be determined without reference to the interstate business done by the carrier, or to the profits derived from it. The State can not justify unreasonably low rates for domestic transportation, considered alone, upon the ground that the carrier is earning large profits on its interstate business, over which, so far as rates are concerned, the State has no control. Nor can the carrier justify unreasonably high rates on domestic business upon the ground that it will be able only in that way to meet losses on its interstate business. So far as rates of transportation are concerned, domestic business should not be made to bear the losses on interstate business, nor the latter the losses on domestic business. It is only rates for the transportation of persons and property within the State that the State can prescribe; and when

it undertakes to prescribe rates not to be exceeded by the carrier, it must do so with reference exclusively to what is just and reasonable, as between the carrier and the public, in respect of domestic business.

The argument that a railroad line is an entirety; that its income goes into, and its expenses are provided for out of, a common fund; and that its capitalization is on its entire line, within and without the State, can have no application where the State is without authority over rates on the entire line, and can only deal with local rates and make such regulations as are necessary to give just compensation on local business.

The CHAIRMAN. The time has arrived for an executive session of the committee, and we shall have to allow you an opportunity to complete your argument at the next meeting.

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FORT WORTH, TEX., *February 7, 1905.*

HON. STEPHEN B. ELKINS, *Washington.*

DEAR SENATOR: I inclose you my objection to the Esch-Townsend bill. I hope you can place it before the whole committee and have it printed. The people will not stand for any such makeshift. I do hope that no bill will be passed if this is the best they can do.

With great respect,

S. H. COWAN.

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FORT WORTH, TEX., *February 7, 1905.*

HON. STEPHEN B. ELKINS,  
*Chairman, Washington, D. C.*

MY DEAR SENATOR: I take this method of indicating to you and to the Senate Committee on Interstate Commerce certain specific objections to House bill 18588, reported by the House Committee on Interstate and Foreign Commerce to the House of Representatives, and which will be passed undoubtedly before this letter reaches you. These objections will undoubtedly occur to any lawyer familiar with the subject-matter.

Section 1. The following words in lines 3 and 4 should be stricken out, viz, "upon complaint duly made under section 13 of the act to regulate commerce," so that the Commission may be left free to make an order upon any investigation, whether upon complaint of the shipper or where the investigation is instituted by the Commission.

In line 6, after the word "rate" and before the word "for," the following should be inserted, viz, "or any part thereof"; so that if the Commission shall be investigating the rates of freight which apply on interstate commerce where it moves on local rates it may determine what each carrier is entitled to considering the shipment as a through shipment. For example, the Texas and Pacific Railway Company canceled out its interstate rate on live stock and now carries upon the local rates all interstate freight up to junction joints of other lines, and the result is that neither state law nor the interstate commerce act applies to such traffic. Furthermore, there are numerous instances where systems of railroad in order to secure the whole freight compel the shipper to use a circuitous route instead of being diverted at junction points over the short line at the through rate. They compel these circuitous shipments by simply declining to publish through rates from points on their lines via junctions and over the short-line route. This may not be very important with ordinary freight, but it is very important with all perishable freight and live stock. Undoubtedly the Commission ought to have authority to give the shipper the right of through rate and through route via the shortest line that is practicable.

In line 9 of section 1 the Commission is limited in fixing the rates for substitution to those which are "unreasonable or unjustly discriminatory." If the words "unjustly discriminatory" include undue preferences and advantages, as prohibited in the third section of the act to regulate commerce, then I have no objection to the expression used, but since sections 2 and 4 prohibit unjust discrimination, it seems to me that the language is subject to the construction that the rate or advantage which is unduly preferential is not embraced within the meaning of the term "unjustly discriminatory," and it certainly can be made much plainer by striking out the words "unreasonable or unjustly discriminatory" and insert in lieu thereof the words, viz, "in violation of any of the provisions of the said act to regulate commerce or acts amendatory thereof and supplemental thereto." This should be done in order that the Commission may substitute the rate which is in violation of any of the provisions of the acts which it is called upon to enforce.

In line 13 of section 1, page 1, and line 1, section 1, page 2, strike out the words, viz, "unreasonable or unjustly discriminatory," and substitute therefor the word "unlawful."

In lines 2, 3, and 4, section 1, page 2, the order of the Commission is made operative thirty days after notice to the persons directly affected thereby. I can not see why this language is used. The fact is, every shipper and every railroad which might participate in the exchange of freight and in the divisions of rates might be affected directly in very numerous ways. If notice must be given to every person or persons directly affected it might be that the Commission's order would not take effect. It seems to me, therefore, that the plain and sensible provision to be substituted would be to strike out the words in lines 3 and 4, viz, "person or persons directly affected thereby," and insert in lieu thereof the words, viz, "the carrier or carriers against whom such order of the Commission may be directed."

Lines 4 to 10, inclusive, section 1, page 2, which provide for the institution of proceedings for review of the Commission's order, in my opinion to a large degree destroy the usefulness of the whole enactment. It is inconsistent with the theory and purpose of the act, which gives the Commission the legislative power to fix rates, to have the action of the Commission "reviewed" by a court. That word will undoubtedly be given its legal meaning. It is defined as follows:

"A review is a second examination with a view to amendment, reconsideration, revision. The term is used more particularly to designate the examination of a case by an appellate court \* \* \* It signifies any of the different modes by which a judicial act may be revised, as by appeal, writ of error, rehearing," etc. (24 A. E. Ency. of Law, 937.)

Webster defines the meaning in law to be—"A judicial examination of a proceeding of a lower court by a higher."

Now, if the words "justness or reasonableness" in line 9 were eliminated, then the provision might not be so objectionable, but under the provisions of this section of the bill as it stands not only will the court determine whether the Commission has acted in a lawful manner and in conformity to the Constitution and statute under which it acts, but the absolute right is given to the carrier to have the court review the Commission's decision with respect to every matter which the Commission could possibly consider by requiring it of the court to determine the justness and reasonableness of the Commission's order. Nor can the court substitute its judgment for that of the Commission, because it does not comport with the spirit of the Constitution that Congress may confer upon the court the power to fix a rate for the future.

No one contends that it can be done. I therefore hold to the opinion that unless the words "justness and reasonableness" are stricken out of line 9, section 1, page 2, the whole section is a mere delusion in so far as it attempts to have a rate fixed and to become speedily effective. It would be a somewhat different thing if the court were merely given the power without imposing on it the duty, or conferring upon the affected carriers the right to require of the court that it shall pass upon the justness and reasonableness of any order of the Commission; for in such event the court would not be compelled to pass upon those questions. They are undoubtedly questions of fact or judgment, and as the Supreme Court has frequently decided, the Commission is more competent to exercise its judgment in determining questions as to what the rate of freight ought to be than is the court, and its judgment ought to be left to stand if it has conformed to the law, and if the rate fixed does not violate some legal or constitutional right or power.

The court can pass on these questions without undertaking to determine what the rate ought to be. If the Commission is to determine what the rate ought to be, what good reason exists for substituting the judgment of the court, less competent to determine the fact than is the Commission. There would be just as much reason to have an additional Commission to determine it as to have a court do so. If the court shall be of a different opinion to the Commission and think that the rate fixed by the Commission is not a correct one, it may by its judgment destroy the legislative act of the Commission, yet it can not substitute anything in its place.

The whole matter with respect to this section of the bill, when taken in connection with the powers conferred upon the court of transportation, may be summed up by the statement that while the people have asked for bread they have been given a stone.

Section 2: The words in lines 18, 19, 20, and 21 after the word "order" in line 18, should be stricken out as being useless, for the reason that if the Commission's supplemental order becomes a part of the original, these words are surplusage at least and might be given the construction that a separate proceeding might be instituted to set aside the supplemental order.

Section 3: In lines 9, 10, and 11 provision is made to file the record with the court of transportation ten days after notice, but it does not specify what notice nor by whom to be given, nor is there any provision in any other part of the act that applies to it. This is insignificant, but should be corrected.

The last paragraph of this section, lines 16 to 20, gives the Commission the power to amend its orders, etc., even while the case is pending before the court for a judicial review. The use of the words "a judicial review" furthermore gives force to the objections which I have made above to section 1, and makes it manifest that there is to be a judicial review of the facts upon which the legislative act is to be determined, and the incongruous provision is made that while the court has full jurisdiction, the Commission may nevertheless annul its former order or modify the same. Surely no such double jurisdiction is feasible, and there should be added at the end of section 3 the following proviso:

*"Provided, That if, pending any proceeding in any court to enforce or to annul or modify or otherwise affect any order of the Commission, the Commission shall determine to reopen its investigation or proceeding for the purpose of modifying, amending, or annulling the order, ruling, or requirement concerning which proceedings may be pending in such court, it shall be the duty of the Commission to give notice of such intention to the court before which such proceedings may be pending, and thereupon the jurisdiction of the court shall be suspended and the record referred back to the Commission for its further order, ruling, or requirement."*

The words "such proceeding for review" in line 4, section 3, page 3, and in line 12, section 3, page 3, should be stricken out and have substituted therefor the words, viz, "proceedings to set aside or annul any order, ruling, or requirement of the Commission." This upon the theory that a review in the nature of things is entirely inappropriate.

Section 4. There should be added to section 4 the following proviso:

*"Provided, That if any carrier against whom an order, ruling, or requirement of the Commission may be made, shall file any suit or proceeding to set aside or annul such order, ruling, or requirement, the Commission may at the same time the defendant answers, file a cross bill for the enforcement of such order, ruling, or requirement, and proceedings thereon had in the same manner as if the Commission should apply by original petition to enforce obedience to its orders."*

This proviso should be added for the manifest reason that it would prevent a multiplicity of suits. And the further proviso should be made, viz:

*"Provided also, That where the Commission shall institute any proceeding to enforce obedience to its orders, ruling, or requirement, any carrier, party to such proceeding, may file its crossbill seeking to annul or set aside the Commission's order, ruling, or requirement, but failing to do so shall not thereafter be permitted to maintain any such suit or proceeding to set aside or annul any order, ruling, or requirement of the Commission."*

This proviso should be inserted for the manifest reason that when the court acquires jurisdiction of the subject-matter of the Commission's order, the litigation should be complete and confined to that particular proceeding. Were it not true that this bill has provided a new and special sort of court with special jurisdiction, it might be assumed that the court would adopt rules which would require all of the matters to be litigated in one action, where either the Commission or the carrier first instituted it, but evidently the court would not be compelled to adopt any such rule and, as dispatch is essential, this proviso should be inserted.

Section 7: The establishment of the court by appointment from the circuit court judges of the United States seems entirely unnecessary. Undoubtedly three judges for the court of transportation are amply sufficient. The existing circuit court judges have been appointed with a view to their places of residence and because they have sought the specific appointment, under existing laws at the time they were appointed. It is by no means certain that they can be compelled to act as a court of transportation. Possibly only those who might consent to act would accept the appointment. There is no use whatever of disturbing the present circuit courts in attempting to add to the duties of the judges that of judges of the court of transportation. It is an unprecedented sort of thing. It limits the sphere from which the President may select the judges of the court of transportation. It looks to me that it questions his ability to make proper selection and compels him to make the selection from judges who have been appointed by other persons and for a different sort of service.

Mr. Townsend's original bill establishing an interstate commerce court did not contain any such complicated, uncertain, and limited means of providing judges for this court. That bill, it was generally understood, voiced the sentiments of the President upon the subject. Mr. Hepburn's bill, which was defeated in the committee, pro-

vided this method of selecting the judges for the court of transportation. It is not at all probable that there is any economy to grow out of this method of appointment, and it would seem better and comport with the spirit of our laws that the President appoint the judges of the transportation court without limitation as to the source from which such appointment should be made. The public can scarcely see why this method has been seized upon.

Sections 8 and 9. If section 7 should be changed to conform to the above views, then sections 8 and 9 should be eliminated, and substitute therefor appropriate provision for the sessions of the court of transportation.

Section 10. To section 10, page 6, at the end thereof, should be added the following proviso:

*"Provided, That any suit at law which may be brought by any party in whose behalf reparation shall have been ordered by the Commission, may be brought either before the court of transportation or before any circuit court of the United States having jurisdiction thereof, as is now provided by section 16 of the act to regulate commerce."*

Section 12. Strike out all after the word "controversy" in lines 14, 15, 16, 17, and 18, and insert in lieu thereof the following proviso:

*"Provided, That if it shall be made to appear to the court of transportation that there exists newly discovered evidence which could not with due and reasonable diligence have been known to the parties at the time of the hearing before the Commission, and that such testimony shall be of such character that the court of transportation may be of the opinion that it would or might change the result of the Commission's order, ruling or requirement under investigation, the court of transportation shall, in such case, refer the case back to the Commission in order that the testimony may be presented to the Commission, and that it may act upon the whole case in view of all of the testimony, but the court of transportation shall not consider any other testimony or facts than that which shall have been presented to the Commission."*

The reason for inserting this proviso is manifest—that is, that the court should only pass upon the case which the Commission heard and tried. Any other sort of arrangement makes it a trial court, and it is but the prolonging of proceedings, and at last deprives the shipper of any reasonable and speedy relief. Those who have practiced before the Commission in such cases know how easy it would be to thus introduce new testimony, which could be said not to be known at the time of the hearing before the Commission. I undertake to say that the evidence bearing upon the reasonableness of a rate is practically without limit in its scope, and the facilities and opportunities for making a different case before the transportation court than that made before the Commission would exist in practically every case.

Section 14. This section seems to give to the court of transportation an absolutely free hand in the granting of all sorts of restraining orders, but leaves it so any injunction or restraining order may be continued in effect on appeal, and opens the way and furnishes the opportunity to and indeed the invitation to the carriers to procure injunctions and restraining orders in every case which may be decided by the Commission. It is therefore imperative, in my opinion, if this section is to stand in its present form, that there be added to it the proviso, viz:

*"Provided, That the court of transportation shall not grant any temporary injunctions or restraining orders suspending any order, ruling, or requirement of the Commission, except where it is clearly and satisfactorily shown that the order, ruling, or requirement of the Commission in question is erroneous and in violation of the law or some constitutional right, and such restraining order shall not remain in effect longer than thirty days within which a final hearing shall be had upon any petition in which any temporary restraining order or injunction shall be granted as against the order, ruling, or requirement of the Commission."*

Unless some such proviso is added to section 14 it would be found that every order of the Commission is hung up by temporary restraining order and every sort of delay which can be practiced in court.

Section 15. There should be added to section 15 the following proviso:

*"Provided, That where the court of transportation shall upon any hearing before it brought either by the Commission or the carriers, suspend the order, ruling, or requirement of the Commission, and an appeal shall be taken from the judgment or decree of the court of transportation, such appeal shall not in such case suspend the order of the Commission, but the same and the decree of the court of transportation shall remain and be effective pending such appeal."*

Surely after the Commission has fixed a rate, and after the court of transportation has issued its order enforcing the same or refusing to grant any injunction restraining the enforcement of the order of the Commission, the shipper is entitled to have such

rate so fixed by the Commission and sustained by the court of transportation put into effect.

The whole spirit of sections 14 and 15 of this bill seems to lose sight of the fact that the shipper has any rights whatever. Every possible right of the railroad is protected. More extensive remedies are given against the legislative act of fixing a rate than has ever been attempted under any other form of remedy or relief. Yet the shipper is bound by what the Commission does, while the railroad is given the opportunity to practically destroy all the benefit which the shipper can gain from the Commission's act by this cumbersome method of so-called review, retrial and appeal, during all of which time the shipper must continue to pay the unlawful exaction and the railroad is provided with every means of pocketing the money. It seems that in the attempt to be fair the benefits which are apparently conferred by the bill are in effect destroyed by these extensive powers of the court of transportation and the provisions which make it as easy for the railroads to circumvent for an unreasonable length of time, if not entirely, what the Commission may have done.

To pass such a bill and make it a law is simply providing a halfway measure, a mere makeshift.

Respectfully submitted.

S. H. COWAN,  
*Attorney for Western Cattle Interests.*

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SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Saturday, February 11, 1905.*

**STATEMENT OF DANIEL DAVENPORT—Continued.**

The CHAIRMAN. You may resume, if you please, Mr. Davenport.

Senator FOSTER. Mr. Chairman, there are some questions I should like to ask Mr. Davenport.

Mr. DAVENPORT, would you prefer to wait until you get through before answering these questions?

Mr. DAVENPORT. You mean questions pertaining to what I have said?

Senator FOSTER. Yes, sir.

Mr. DAVENPORT. No; I should be pleased to answer them now, to the best of my ability.

Senator FOSTER. You admit, Mr. Davenport, that Congress has the right to fix rates for railroads engaged in interstate commerce, do you not?

Mr. DAVENPORT. Yes, sir; with the limitations I have stated.

Senator FOSTER. But you contend that Congress in the exercise of that power is under certain constitutional limitations and restrictions?

Mr. DAVENPORT. Yes, sir.

Senator FOSTER. For instance, Congress could not establish any confiscatory rates by which the property of railroad companies would be taken without due process of law.

Mr. DAVENPORT. I assent to that.

Senator FOSTER. Section 9 of Article I of the Constitution reads as follows:

No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another; nor shall vessels bound to or from one State be obliged to enter, clear, or pay duties in another.

I understand that you contend that this is also a limitation placed upon Congress so far as concerns establishing rates between the different ports of the country?

Mr. DAVENPORT. Yes, sir.

Senator FOSTER. And that should Congress give any preference to one port over another situated in a different State it would then be exceeding its constitutional powers?

Mr. DAVENPORT. Yes, sir.

Senator FOSTER. You illustrated that by the freight charges between Boston and Atlanta or Montgomery on the one hand, and between Chicago and Atlanta or Montgomery on the other hand, Boston being some five hundred miles farther from those southern points than Chicago; and I understand that upon the same class of freights the rates are higher from Chicago than from Boston.

Mr. DAVENPORT. Yes, sir.

Senator FOSTER. And that if Congress should establish the same rates which are now made by the railroads, it would then come within this constitutional prohibition against establishing a preference as between ports in different States.

Mr. DAVENPORT. Yes, sir.

Senator FOSTER. That seems to me to present rather an anomalous condition—that the railroads, which are the creatures of Congress, have the power to violate a provision of the Constitution, and that Congress has no right to correct the charges which have been established by the railroads.

Mr. DAVENPORT. That brings me, Senator, right to the point.

Senator FOSTER. I am simply stating these difficulties which have presented themselves to me. I understand, however, Mr. Davenport, that this bill does not deprive the railroads of the right to fix rates; that it simply confers on the railroad commission the power to examine into the rates which have been established by the roads, and if that Commission finds that these rates are in violation of the law now upon the statute books, the Commission can then revise those rates, and for the rates established by the roads substitute a rate of its own; that that power on the part of the Commission is not absolute and final, but is subject to review by the courts; that the railroads have full protection through the courts for any wrongful act which the Commission may do to them in the establishment or the substitution of a new rate for the rate which the railroad had already fixed. These being the powers sought to be conferred upon the Commission by the bill, in your judgment, is this article of the Constitution to which we have both referred applicable, even admitting that your contention is correct as to the limitation of the powers of Congress?

Mr. DAVENPORT. In response to your several questions, Mr. Senator, you open up the subject just as I intended briefly to discuss it after reading over the minutes of my ragged talk yesterday.

Senator FOSTER. But, before proceeding with your statement, I understand that you do not deny the power of Congress to confer the rate-making power, or whatever it may be termed in this bill, upon the commission, but that the commission, like Congress, in the exercise of that power is limited by Constitutional restrictions.

Mr. DAVENPORT. That is as I understand it.

Senator FORAKER. Do you or not question the power of Congress to delegate the rate-making power?

Mr. DAVENPORT. Senator Foraker, you know that this matter has been impliedly decided by the Supreme Court of the United States. In several cases they have said, strange as it may seem to some, that the power to fix rates may be delegated by Congress to a commission. As we take our law upon these matters from the Supreme Court, I must say that, as a lawyer, I am compelled to acknowledge the proposition, though if I were a Senator my view of it might be different.

Senator FORAKER. I asked the question in order to get the benefit.



of your own view on that subject. I understood you yesterday to assume that Congress had the right to delegate the rate-making power to the commission, but that when delegated to the commission it was to be exercised by it subject to the same limitations as would apply to Congress if Congress were directly to undertake the exercise of that power.

Mr. DAVENPORT. Yes; I assumed, for the purpose of discussion, that Congress had the power to delegate the regulation of railroad rates to the Interstate Commerce Commission, and I proceeded in my remarks upon that assumption.

That matter has crept in a peculiar way into the jurisprudence of the United States. You remember the Granger legislation, which began, I think, in 1872 or 1873 and culminated about December, 1876, in a decision by the Supreme Court of the United States (in the case of *Munn v. Illinois*) that a State legislature had the power to fix the maximum charges on warehouses the same as it had as to common carriers; but in searching around for the ground on which to place it the Supreme Court placed it upon the ground of the police power of the State. They referred to the fact that in the reign of William and Mary, in 1688, Parliament had enacted a law fixing the maximum charges for persons engaged as common carriers, and they referred also to a case in the District of Columbia where Congress early fixed the maximum charges for hack drivers and for wharfingers. Of course Congress has the police power here in the District of Columbia, and in the several States the State has the power; but it had not been generally supposed that Congress possessed the police power.

Notwithstanding that decision, you will notice as you run along down through the decisions, that there has gradually crept into the language of judges delivering the opinions of the Supreme Court an assumption, a statement that Congress, by virtue of the power to regulate interstate commerce, has the power to create a commission to prescribe rates to be charged by common carriers engaged in interstate business, just as though the power to regulate commerce had such extent as a State has, in the exercise of its police power, to determine those matters of commerce wholly within the State.

So that, if it were a new question and worth while to discuss what the Supreme Court would hereafter hold upon such questions, there might be room for very serious argument.

In our church we follow the decrees of the highest authority. In my section of the country we find we have to be governed by the decisions of the Supreme Court of the United States when we come to discuss questions of the meaning of the Constitution and the extent of the powers of Congress.

Now, turning to the subjects suggested by the inquiries of the Senator from Louisiana—

Senator FORAKER. Before you leave that, I wish to remind you that you have not yet touched upon those decisions or those remarks or statements of the judges to be found in the opinions of the Supreme Court to the effect that this power, which it must be conceded Congress can exercise, may be delegated by Congress to a commission. The question is not whether Congress can exercise that power, because that has been thoroughly established. The Constitution gives it, and the Supreme Court has so decided again and again. But the point to *which I directed your attention in my inquiry you have not yet touched upon.*

Mr. DAVENPORT. I assume——

Senator FOSTER. I understand that Mr. Davenport assumes that Congress can delegate this power to the commission.

Mr. DAVENPORT. Yes; I assume that, because, though I have not now at hand the authorities, I think you will find in the language of these decisions that which is tantamount to an express declaration that Congress may delegate that power.

Senator DOLLIVER. But it is a legislative power when exercised by the commission as much as when exercised by Congress?

Mr. DAVENPORT. I understand it to be such.

Senator DOLLIVER. Now, another question arises, suggested by what Senator Foster has just asked you; that is, whether or not the judiciary can interfere with what the legislative department does, except only when the legislative department does that which is in effect confiscatory.

Mr. DAVENPORT. In regard to that subject, Senator, if I have an opportunity I should like to talk to the committee. The word confiscatory, as I understand it, is used in the decisions of the Supreme Court of the United States as equivalent to oppressive. It need not be absolutely confiscatory. The position was taken by the Supreme Court in *Munn v. Illinois*, in which the court said that the legislature having acted, so far as the courts are concerned the remedy of the people is at the polls. But that has long since been crawled away from by the courts, and it has come to pass, as I shall show you shortly, that the courts have practically held that anything that deprives a man of a fair return for his property is taking property without due process of law.

But now to come to these very matters involved in the inquiries of Senator Foster: The exercise of the right to fix rates, enjoyed and possessed by railroad companies engaged in interstate commerce, is an entirely voluntary thing so long as they act within the provisions of the law, so long as as they do not violate any law. When, in 1887, Congress passed the interstate commerce act and undertook to regulate interstate commerce, that act extended only so far as to say that there should be no undue preference extended. As long as that law stands on the statute books the railroad companies, so long as they do not exercise any undue preference—which the courts have interpreted, you know, to be treating different persons similarly situated differently—are entirely within their rights, and the constitutional provision has no bearing. The Constitution does not prevent Senator Foraker, myself, or anyone else from extending privileges to people in one port which give them advantages over those of another. But when Congress undertakes to lay down the law in regard to rates, then it is an exercise by Congress of the power to regulate commerce, and the provision that no preference shall be given to the ports of one State over those of another by any regulation of commerce or revenue, is inherent in the power that Congress exercises, and is as much a limitation, as I said yesterday, upon the exercise of that power as is the limitation as to direct taxation upon the exercise of the right to lay taxes.

Senator DOLLIVER. Is not that a limitation also upon the right of the railroads to do the same thing?

Mr. DAVENPORT. Oh, no. The railroads are not regulating commerce; they are carrying on commerce; they are exercising the right of the common carrier to charge what it pleases, whatever is just and

reasonable as between it and the shippers. There is nothing done by the carriers or anyone that is a regulation of commerce.

Senator FORAKER. That limitation comes into operation only when Congress undertakes to exercise this power to regulate commerce?

Mr. DAVENPORT. Yes; either directly or indirectly.

Senator FOSTER. You do not think, then, that Congress can give its creature greater powers than Congress itself has?

Mr. DAVENPORT. I was considering it broadly. Congress can charter a corporation and authorize it to carry passengers and freight for hire, but when that creature thus called into existence proceeds to exercise its power it is in no sense regulating commerce, within the meaning of the Constitution. The regulation of commerce is something done by legislative act.

Let us follow that a little farther. Why was that clause put in the Constitution? We know its history very well. It is matter of record in Madison's Debates and the records of the Constitutional Convention of 1787, and it is also discussed, I think, in several papers in the *Federalist*. This was the reason: Those gentlemen had empire in their minds. They looked ahead. You who are fresh from discussing it in the Senate will remember that when the convention was in session the Northwestern Territory had already been blocked out for the creation of five States, and there were arrangements in progress for the creation of other States in the country west of the Alleghenies or the Blue Ridge—Kentucky, Tennessee, Mississippi, and Alabama; and in deliberating upon this matter you will remember that Rhode Island, having the port of Newport, was practically the doorway for all commerce that came into New England. Connecticut, and Massachusetts in a measure, suffered extremely from the bad treatment accorded them, and they felt that they experienced wrong in Rhode Island sitting there and levying tariffs and imposing all sorts of burdens upon the inhabitants of Connecticut and Massachusetts; and you will remember that it was out of those difficulties that the movement really sprang which led to the first convention at Annapolis, where only a few delegates from a few States attended, and which soon adjourned after recommending the Congress of the Confederation to call a general convention.

When that general convention met in Philadelphia in May, 1787, with all this matter before them regarding this great country to the westward, and knowing from the history of the past that it was likely to be greatly developed, and knowing that they had had trouble at New Orleans—as you remember, Mr. Senator—from the fact that the Spanish at that time were in possession of the mouth of the Mississippi, they put into the Constitution this prohibition, that no regulation of commerce of any kind should give a preference to the ports of one State over those of another. They recognized the fact that there were to be inland States; they recognized the fact that great States were to be created in the West, and consequently those words were put in there with full comprehension of the fact that the commerce of one State passing from the interior to a port might be subjected to onerous restrictions by the intervening States; and they recognized the fact that inducements might be thrown out by acts of Congress for people to come to the port of one State rather than to the port of another State. So they cut it up by the roots absolutely by providing in express terms that no preference should be given to the ports of one *State over those of another*.

Senator FOSTER. In regard to what?

Mr. DAVENPORT. "By any regulation of commerce or revenue;" and further—

Nor shall vessels bound to or from one State be obliged to enter, clear, or pay duties in another.

Although we can not believe, we can not suppose, that they could have foreseen what has now come to pass—the wonderful improvement in the means of transportation that has sprung up in recent times—there is some reason to think that they did foresee a good deal of that. They recognized the fact that Congress might perhaps do the very thing which, unless this constitutional provision does apply, may create the greatest of evils. For if that limitation does not apply, and the Congress of the United States should create such a tribunal as is proposed, and clothed with these powers, see what you do. You put absolutely in the hands of a tribunal, composed of five or seven men, the power to create and to destroy not only cities and towns, but great sections of the country, by the very fact, under the authority to regulate interstate commerce, of giving privileges in favor of one section over those of another.

Nor do you escape from that by giving the courts the power to review. I have deliberated somewhat upon this subject. I have talked somewhat with sound men. I know it is a new subject broached in the discussions before this body. But I am confident that soon or late the ultimate judicial tribunal will decide that whatsoever power in the way of regulating rates is exercised by the Commission, or shall hereafter be exercised by Congress directly, is subject to that limitation.

There is another branch of the inquiry that I understood the honorable Senator to make.

Senator FOSTER. Following your argument logically, the railroad commission, then, as between ports of the country, would necessarily be compelled to adopt a uniform basis of charges?

Mr. DAVENPORT. I can not think of any other way by which it can be done.

The CHAIRMAN. Let me see if I have correctly apprehended your contention. If Congress can delegate this power to the Commission, the Commission is restrained by the Constitution just as Congress is, and can not make these differentials as between ports in different States, because they would be violating this very clause of the Constitution?

Mr. DAVENPORT. That is it.

The CHAIRMAN. They could not do it.

Mr. DAVENPORT. They could not do it.

The CHAIRMAN. As Congress could not do it, so the Commission could not.

Mr. DAVENPORT. Yes, sir.

Senator FOSTER. If I understand, Mr. Davenport, this would involve such a radical change of rates now established that it would bring about a violent disturbance of business conditions to such an extent that it would affect the values of all railroad securities and properties.

Mr. DAVENPORT. Yes, sir.

The CHAIRMAN. Would it not build up some ports in preference to others?

Mr. DAVENPORT. Some having great prosperity now would decline, and others that have it not would grow. Nobody could tell what the final result would be.

Senator FORAKER. I want to ask a question right there. Mr. Davenport states a conclusion when he says it would disturb business conditions, and that it would have this, that, and the other disastrous effect. Take a practical illustration, Mr. Davenport, and give us your view with respect to it. As I understand, the distance from New York to Chicago is not the same as from Philadelphia to Chicago, there being some 90 miles difference.

Mr. DAVENPORT. I catch your point, Senator, and I will illustrate.

Senator FORAKER. What is the differential, if any, in freight rates between Chicago or St. Louis, or any other place you see fit to take, and those two cities?

Mr. DAVENPORT. Boston is nearer to Chicago than Newport News, Va., but the rate per hundredweight or per bushel, or however measured, is, we will say, a cent and a half less from Chicago to Newport News than it is from Chicago to Boston, although the distance is shorter. That difference per hundredweight is called a differential, which in railway language, as I understand it, is an allowance made to a railroad for some disability. But, practically, when you come to consider it, that differential is made for the purpose of encouraging commerce in one port which otherwise would not have it. For instance, you know the Government of the United States has for years expended enormous sums for the improvement of harbors all along the coast. New York, by reason of its peculiar advantages, had as far back as 1882, I think, some 80 per cent of the import trade of the country and some 62 per cent of the export trade.

When the railroads were under the management or supervision of a commissioner, Mr. Frinck, they decided that it would be better for the railroads, and better for the country generally, if the railroads would extend a privilege of this kind to Newport News and Baltimore and make them equal, giving a cent and a half less to those points than to Boston and New York, and a cent to the advantage of Philadelphia. You gentlemen know that a ship does not come to a harbor with its cargo to unload unless there is some expectation that it will get a return cargo. Take the port of New Orleans; take Galveston, Tex.; take Philadelphia; take Baltimore, particularly; the idea was to bring the freight from the West to those points for export, and the vessel that came there loaded would deposit its cargo, take on another cargo, and go on, and the railroads would have the benefit of carrying it back into the country. Just as down in the southwestern country to-day. You know the rate on grain from Lincoln, Nebr., to Galveston is away down, so that all grain goes to Galveston. What is the reason of that? You gentlemen from the South, especially, know that your Southern ports—and properly too, from a broad-minded point of view—have been the subjects of nourishment, not only by Congress, but by these carriers. But the special reason for that is this, that in your country there is that great lumber supply which has to be brought north, and the railroads might have to haul their cars down there empty and then haul them back, and consequently a much heavier freight charge would have to be paid for bringing the lumber north. So the railroads say: "We can afford to carry the freight cheaply going that way in order that we may be able to receive, handle, and get pay for the freight coming this way."

You can take the whole country over, and every locality, small and great, is in a greater or less degree subject to the influences that I

have illustrated here. And this is most vital to particular sections of the country, my own New England and the southern ports.

Senator FORAKER. If the differential were discontinued, Boston would get the benefit of it as against Newport News and Baltimore?

Mr. DAVENPORT. On that particular class.

The CHAIRMAN. Can you state the differential as between Boston, New York, and Philadelphia, and Newport News?

Mr. DAVENPORT. Only on grain.

The CHAIRMAN. Take the grain rate.

Mr. DAVENPORT. It is a cent and a half in favor of Newport News and Baltimore, and a cent in favor of Philadelphia, as against New York and Boston.

Senator NEWLANDS. Do you say that Boston is nearer to Chicago than Philadelphia or Baltimore?

Mr. DAVENPORT. Oh, no. If you have followed the testimony given at the hearings before the Interstate Commerce Commission recently you will see that the representatives of Philadelphia made the claim that there is no differential in her favor, because they did not admit that it was a differential.

Senator NEWLANDS. It is a shorter distance.

Mr. DAVENPORT. It may be a shorter distance by one route, but when you bring the grain down from the Lakes and across that way, the contention is that it is a differential.

Senator FOSTER. Here is what I wish to get from you: Do I understand you to contend that if this power were conferred upon the Commission, in the exercise of that power the Commission would be bound to change these rates established by the railroads?

Mr. DAVENPORT. Absolutely, and I will show you how.

Senator FOSTER. And that they are bound to do away with these differentials?

Mr. DAVENPORT. Absolutely, and I will show you how.

Senator FOSTER. I can not agree with you about that—

Mr. DAVENPORT. I will explain to the Senator.

Senator FOSTER. Because, if you be correct in that, then this Commission will be bound to establish an entirely new system of rates over the whole country upon some uniform basis.

Mr. DAVENPORT. Let me show you how it will come about. Within twenty-four hours after the law becomes operative what will happen? A shipper in Boston will apply to the Interstate Commerce Commission and ask them to adjust the rates as between Boston and Newport News, we will say. The matter is brought at once to the attention of the Commission, and they ask, What is the ground of this? The answer will be that that rate should be the same per hundredweight or per mile. The Commission says, If that is true that affects every railroad and every rate in the United States. What are we going to do?

Senator FOSTER. But, Mr. Davenport, the Commission is bound to act under the law.

Mr. DAVENPORT. It is going to act under the law.

Senator FOSTER. The law makes no such provision as that.

Mr. DAVENPORT. I beg your pardon, but it does.

Senator FOSTER. Then every railroad in the United States is violating the law. The Commission must act under the laws on the statute books for regulating interstate commerce.

Mr. DAVENPORT. The Interstate Commerce Commission has no power now to regulate rates.

Senator FOSTER. I mean, if this power were conferred upon the Commission.

Mr. DAVENPORT. The minute you confer that power upon the Commission you give them authority to exercise it. Let me show you what will happen and how: Take Judge Cowan's case—history is philosophy teaching by examples. You can not have a better case, as practical men, to study than that very cattle case, where they filed a complaint against sixty railroads. But what will the Commission do? They will give notice to everybody that this contention is made; that they are going to determine whether these rates are reasonable as between Boston and Newport News; that in determining that they must cease discriminating between points, as is the result of these differentials.

The CHAIRMAN. Or make no preference.

Mr. DAVENPORT. Or make no preference.

The CHAIRMAN. The railroads do it now?

Mr. DAVENPORT. But that is not any regulation of commerce.

The CHAIRMAN. Of course not.

Mr. DAVENPORT. That is not a regulation of commerce any more than a deal between the Senator and myself is. I am now speaking of the lawmaking power. There is no doubt that our fathers wanted to have all commerce as free as possible. But there is the power. Now, what will happen? You are practical men. If the thing can be done, an ingenious man ought to be able to show how. The Commission will make a decision one way or the other on that subject. That case, if there are not too many holes in the skimmer as it has been rigged up in the Esch-Townsend bill, we will say, goes to the court of transportation. They pass upon it, and they say you decided wrongly if you decided that you could discriminate, and that you decided rightly if you decided that you could not discriminate. The case then goes to the Supreme Court of the United States. I do not intend to repeat what I have said, but I have confidence in American jurists, and I believe that the Supreme Court of the United States will say that the Commission is bound, in legislating for the railroads of this country, to do just as Congress would do in legislating for the country, and that if Congress should attempt by direct act to give a differential in favor of one port over the other it would be void.

That decision having been made, then what happens? The Supreme Court having decided that the power conferred upon the Commission has to be exercised in accordance with that limitation, the Commission then upon application is bound to go ahead, and if there be differential rates change them. Where you have seven members, I believe you would want 7,000 members of this Commission if you ever attempted to do it. What will happen then? They will have to adopt the principle I spoke of as the only one my poor inventive faculties could suggest, by saying the rate shall be so much per ton per mile for every railroad, rich or poor; four-track, three-track, two-track, one-track; crooked road or straight road, that wherever it goes, for hauling a ton a mile every road shall receive a certain rate.

But then, Senators, they will go right squarely upon the other rock. Avoiding Scylla, they will have plunged upon Charybdis, because *they have another constitutional limitation upon the exercise of their*

power, viz, that they must not confiscate; the exercise of such a power upon a particular railroad, in the way I have pointed out, would be confiscatory, and the road could not earn a fair return upon its investment.

The more I think about it the more grateful I am to the founders of our Government and the framers of our Constitution for their solicitude to protect and preserve private property from spoliation, for these several constitutional provisions render it practically impossible for Congress directly or indirectly to put in force any schedule of rates which shall be operative among all the railroads.

But passing those interesting subjects, there are still more interesting ones that lie before us. When the committee went into executive session yesterday I was about to take up this other aspect of the matter. You all listened to Judge Cowan with a great deal of interest, and I did so with extreme interest, for Judge Cowan is a very able man, and he has had a great deal of practical experience in trying these questions before the Interstate Commerce Commission. I wanted to ask him a few questions, but the rules of the committee properly did not permit such a course of procedure. He enumerated before you the enormous difficulties to be found in establishing and proving what was a reasonable rate. The question was whether \$100 per car load from Fort Worth to Kansas City was too much or not.

Senator Dolliver made the remark, "It seems to me that a year's trial and 20,000 pages of testimony are an extraordinary thing in finding out whether that is too great a charge for a carload of cattle from Fort Worth to Kansas City." That was a very natural comment. Had Senator Dolliver and I been in controversy over a question of a particular excessive charge by a carrier before a jury or the court, as the case may be, we would easily settle that case within a week. Why? Because entirely different principles are involved in the determination of the question of whether or not a common carrier has charged a shipper an unreasonable amount, and in the question of whether or not the power of Congress is being exercised in a manner which is confiscatory of property. In a case in suit no one would ever think of going into the questions of the value of the property, the amount of operating expenses, gross revenues, and the value of their stocks, and all that. If we attempted to go into those things we would be ruled out in a minute by the court. The court would ask, "What are the usual charges under those circumstances? What is the character of the service?" And the court would quickly get at the result. And we would have a very slim show, I think, in going to an appellate court upon error if either of us had offered such evidence as that and it was excluded.

Now, I want you to remember that Judge Cowan, in telling you his difficulties, overlooked entirely the main difficulty. He was lost in the foothills of difficulties when there was a great mountain of difficulty lying before him. That was this, as I was reading you from the decision of the Supreme Court of the United States yesterday: In determining what is a reasonable rate in interstate commerce you must consider it solely with reference to the interstate commerce. You have been, or you will be, or you ought to be, bombarded by and by with statistics as to what the charges are, the course of rates, etc. You will be told, undoubtedly, that the rates—that is, the return of revenue to the roads per ton per mile—are very low. But that does not begin to tell you



the whole story, because all those figures include the returns from both the local business and the through business, and the same is true in regard to passengers. You know, ten men travel in a State to every one man who travels through. The relative amounts of passenger earnings, for instance, in domestic business and in interstate business are not equally divided by any means; but when you get to freight business it is asserted that 75 per cent is interstate business.

But this is the point: How will our learned Commission proceed when they sit down to solve the knotty problem? Remember, it is difficult enough under the State laws. In that case of *Smyth v. Ames* (169 U. S.) the Supreme Court said that you must look only to the property that is devoted to local business; you must look only to the amount of local business, the expense of conducting the local business; you must shut out of view entirely the road as a whole, shut out of view the property of the road as a whole, the value of its stocks and bonds as a whole; you must in some way separate these matters so that you can determine it upon what is strictly local; and they overruled the contention of Mr. Bryan and his associate counsel on that subject.

As a practical thing, take a railroad starting at New Orleans and running northward through Louisiana, Mississippi, Tennessee, Kentucky, and Illinois to Chicago. Very likely Judge Cowan would be on the commission, and none is abler, I take it, than he to carry out his ideas. What is he going to do with this proposition of separating the two classes of business and determining what shall be done with the interstate business wholly separated and distinguished from the domestic or local business?

Senator FOSTER. Will you allow me?

Mr. DAVENPORT. Certainly.

Senator FOSTER. As a matter of fact, did not the Commission exercise this power for ten years, and did it not deal with all these subjects and all their intricacies?

Mr. DAVENPORT. Not at all. That is one of the errors that I shall hereafter speak of as propagated by Mr. Bacon.

Senator FOSTER. No; I do not think you are exactly fair in referring to Mr. Bacon alone in that connection, because I think some of the leading members of the House made that same statement.

Senator DOLLIVER. So did the Interstate Commerce Commission.

Senator FOSTER. I have a report from Mr. Shannon in which that same statement is made.

Mr. DAVENPORT. I will state to you that when the Interstate Commerce Commission was organized, Judge Cooley, Mr. Schoonmaker, and Mr. Walter were Commissioners, and the question came up early whether or not the Commission had that power, and they decided and declared that they had not that power.

Senator DOLLIVER. Exactly what power are you referring to now?

Mr. DAVENPORT. The power to fix what they think is a reasonable rate, in place of an unreasonable rate.

Senator DOLLIVER. Did they ever change that opinion?

Mr. DAVENPORT. Did they?

Senator DOLLIVER. Yes.

Mr. DAVENPORT. They did not, but in course of time those great men passed away and others took their places.

Senator DOLLIVER. In the first volume of the reports of the Commission I find a decision, by Judge Cooley himself, reclassifying the material out of which wagon hubs were made, taking that material from the class of manufactured parts of wagons, and putting it in the class of lumber, and declaring and exercising that exact power to determine rates.

Mr. DAVENPORT. In what respect—to say what it ought to be?

Senator DOLLIVER. To say what it was, and to make an order.

Mr. DAVENPORT. Than what happened?

Senator DOLLIVER. The railroads obeyed the order in that case.

Mr. DAVENPORT. Of course we know that in 90 per cent of the cases before the Commission whatever orders were issued were acquiesced in.

Senator DOLLIVER. I have gone through 40 of these cases in which the Commission appeared to be exercising this power to determine what rates should be.

Mr. DAVENPORT. I understand that. The honorable Senator asked me if it was not a fact that they possessed that power.

Senator FOSTER. No; that they exercised that power until the Supreme Court declared that they did not have that power.

Mr. DAVENPORT. Let me answer that comprehensively and briefly by saying that while undoubtedly sporadic instances may be found where orders were made which apparently assumed that the Commission had that power, yet they never undertook to exercise that power until after those men passed away, and there came that comprehensive case which grew out of the question of maximum rates.

The CHAIRMAN. That was in 1897.

Mr. DAVENPORT. That began along in 1893 or 1894, and in 1897 the Supreme Court of the United States declared that the Commission did not have that power, that it never had that power, and they quote the opinions of the learned Commissioners themselves in confirmation of their doctrine.

Senator DOLLIVER. I doubt very much whether what they quote confirms that much of it, but I do know that among the first decisions of the court was an order, I think by Commissioner Bragg, finding the rate on wheat (which was 60 cents, I think) from Walla Walla to Portland to be unreasonable and directing that it should be practically cut in two, which order was put into effect and which order the railroads obeyed.

- The CHAIRMAN. In one case I remember the rate was 40 cents, and there was a differential on lumber between some point in Tennessee and some point in Virginia, and the Commission found that the existing rates and practices were unreasonable.

Mr. DAVENPORT. I want to read what the Commissioners said in the early days. Commissioner Walker, in the first Interstate Commerce Commission report, page 19, used this language as to the suggestion that they could construe, interpret, and apply the law by preliminary judgment, that:

A moment's reflection will show that no such tribunal could be properly erected. Congress has not taken the management of the railroads out of the hands of the railroad companies. It has simply established certain general principles under which interstate commerce must be conducted.

Commissioner Cooley said this (p. 280, first Interstate Commerce Report) speaking in regard to the long and short haul provision:

It (the Commission) would, in effect, be required to act as rate-makers for all the roads, and compelled to adjust the tariffs so as to meet the exigencies of business, while at the same time endeavoring to protect relative rights and equities of rival carriers and rival localities. This in any considerable state would be an enormous task. In a country so large as ours, and with so vast a mileage of roads, it would be superhuman. A construction of the statute which should require its performance would render the due administration of the law altogether impracticable; and that fact tends strongly to show that such a construction could not have been intended. \* \* \* No tribunal is empowered to judge for it until after the carrier has acted, and then only for the purpose of determining whether its action constitutes a violation of law.

And in the same report, page 357, Commissioner Schoonmaker said:

Its power in respect to rates is to determine whether those which the roads impose are for any reason in conflict with the statute.

Now, what is the use of poor wandering lawyers like myself considering whether or not the Commission had that power conferred upon it by act of Congress, when the great tribunal whose business it is to settle those matters, which everybody, I take it, even Members of Congress and Senators in a large majority, follows, have said expressly that the very language employed in the act precludes the supposition that they had that power, and, further, as they express it, the public and legislative history of the act shows that it was not intended to confer that power upon it, and quote the very words of the Commissioners to the same effect. Judge Reagan himself expressly stated, when it was before Congress, that he had the utmost difficulty in telling his friends that it did not confer any such power.

Senator DOLLIVER. You will not understand me as claiming that it did?

Mr. DAVENPORT. Not at all.

Senator DOLLIVER. I think the decision of the Supreme Court upon the act of 1887, in the maximum rate case, was sound; but I am talking now about the practical operation of it.

Senator NEWLANDS. Do you say that as a matter of fact the Commission exercised this power?

Senator DOLLIVER. They did, and with the consent of the railroads themselves, until the Commission undertook the duty of settling the commercial relations of a whole region of country.

The CHAIRMAN. There was opposition to it all along.

Senator NEWLANDS. Let me ask you, Senator Dolliver, in those cases where the Commission first declared a rate to be unreasonable, and then declared what was reasonable, was their action simply persuasive with the railroads, or did the Commission seek to enforce that as an order?

Senator DOLLIVER. They so ordered.

Mr. DAVENPORT. The law provides that they shall make an order.

Senator DOLLIVER. They ordered that the existing rates should cease as being unreasonable?

Senator FORAKER. In some instances they so declared, and in others not.

Senator NEWLANDS. What was the form of the order?

Senator FOSTER. They simply found that a particular rate was unreasonable, and they condemned the wrong, as they called it, without the power to apply any remedy.

Senator NEWLANDS. Do they suggest in their decision what a reasonable rate is?

Senator FOSTER. Sometimes they do, and the railroads adopt it, and sometimes they do not.

Mr. DAVENPORT. Of course, the question before us is not whether they have the power now or ever had it, but whether you will confer it upon them. When the question occurred to the Senator I was calling the attention of the committee to what was going to take place when this august body met to pass upon the question of reasonableness or unreasonableness.

The CHAIRMAN. Mr. Davenport, I fear I shall have to interrupt you, as it is now ten minutes to 12 o'clock.

Mr. DAVENPORT. There are so many interesting questions of vital consequence to everybody—this is so momentous a subject—that I do want to have an opportunity to be heard before this committee upon many of these questions. We have not yet begun to talk.

The CHAIRMAN. Then you may proceed for ten minutes longer; you can get that much in.

Mr. DAVENPORT. I was going to say that when the Commission shall assemble to pass upon this question, how are they going to deal with that very difficulty (passing all the other difficulties) in determining what is a reasonable rate?

There is another thing to which, in this connection, I want to call the attention of the committee: That the Supreme Court of the United States has held that, no matter what rate you prescribe to-day, it may become of no effect to-morrow; and, on the other hand, the rate fixed to-day may be unreasonable to-day and become reasonable to-morrow and operative, as a matter of law.

In this connection—because of course this will go into the record—I want to call your attention to what the Supreme Court held in that Nebraska case. You remember that the legislature of Nebraska fixed a schedule of maximum rates. Senator Millard will remember it well. The rates there were confiscatory. The railroads applied to Judge Brewer, and, after hearing, he was of that opinion, and issued an injunction against putting them in force, but in that injunction he put this clause: That those officials were prohibited from putting that schedule in operation, but if thereafter conditions arose which would make the rates created by the law not confiscatory or oppressive, then the injunction could be modified. In other words, the power of a State legislature and the power of the Federal Congress to regulate rates and establish rates is limited at all times in the operation of this legislation by the facts existing at a particular time, and if at any time in its operation it works an injury to the property of the carrier, it then ceases to be operative.

In *Smyth v. Ames* (169 U. S., 550) the Supreme Court, on appeal, approved of Judge Brewer's course in that respect and determined that a schedule of rates established by a commission might be reasonable when established, and become unreasonable thereafter by reason of the change of business conditions, and vice versa, and that it was the duty of the court to apply and modify its process so as to protect the carrier and the public under the varying conditions; so that the same law was constitutional one day, unconstitutional another.

In other words, under the constitutional guaranties of private property a railroad carrier is protected against the action of laws that are made operative in the future, and also against the operation

of laws valid when passed, but which, by reason of change of conditions, had become oppressive.

This power to regulate commerce, of which we hear so much said, and which is of enormous sweep and reach and extent, is limited and hampered and hedged in so many ways that, as a practical proposition, any exercise of it by Congress, directly or through the interposition of a commission, is bound to be, in very large degree, ineffective.

Now, I want to take up another question connected with this matter.

Senator NEWLANDS. I would like to ask you one question: Do you intend to address yourself at all to the question as to what legislation can be safely enacted by Congress so as to prevent the natural result of the great combinations which have been organized recently by these railroads and systems, namely, an increase of rates?

Mr. DAVENPORT. I was going to suggest, in view of a remark I heard the chairman make in response to some statement made by Judge Cowan, that by reason of the combinations among railroads competition was destroyed, and as a result the rates were kept up.

The CHAIRMAN. Right there I want to put a question to you which I want you to answer at some point: If there is a monopoly created by only one railroad reaching one point and a large number of other points, or if by consolidation and combination of railroads one entire district of country falls under that absolute monopoly, and this monopoly makes the rate so high for transportation that the people can not do business, can not some power be found in Congress to say that that rate is too high? But where fair competition can regulate the rates, would it not be better to leave the regulation to the effects of competition? You see my point?

Mr. DAVENPORT. I see the point.

The CHAIRMAN. If, for instance, the raising of wheat falls into the hands of two men, and they advance the price of wheat (which is a necessary commodity) beyond the power of the plain people or poor people to buy it, then should not the Government find some means somewhere to correct such an abuse or evil? I do not care for you to answer that right now; you may take your own time.

Mr. DAVENPORT. I want to answer right now.

The CHAIRMAN. Very well.

Mr. DAVENPORT. Your suggestion the other day to a witness, or the statement of the witness, was to the effect that by reason of the combination and consolidation of railroad companies competition had ceased and rates were kept up. Why, Senators, it seems to me that that involves an entire misconception of what it is that has brought down rates in this country. There is another form of competition which operates to accomplish that result ten times more than that of any competition between railroads, and that is the competition between localities and shippers. That is what controls. In my country—New England—we have a monopoly. The New York, New Haven and Hartford owns every foot of railroad in the country, and the water lines, too; and there is the Boston and Albany, as well as the Boston and Maine.

Senator NEWLANDS. But in each of those cases there is a limitation upon the earning capacity of the railroad?

Mr. DAVENPORT. Oh, no.

Senator NEWLANDS. There is a limitation of 8 per cent on their dividends.

Mr. DAVENPORT. I think not.

Senator KEAN. In the case of the New York, New Haven and Hartford I think the limitation is 10 per cent.

Mr. DAVENPORT. I want to call attention to the fact that in New England we do not have any trouble at all; there is the smallest number of complaints in New England compared with any other section of the country. It is placidity itself in comparison with the State of Illinois, where they have a commission that exercises this power within the State. What is the reason of that? I will tell you the reason. You know our great manufacturing establishments in New England can not live by supplying New England alone; we must reach for other markets, and the roads also have to get their business from customers along their lines. Consequently there is an incessant struggle on the part of the community and on the part of the individual shipper to get as low a rate as they possibly can in order to broaden the market. It is by building up that kind of business that the railroads are able to make money.

I dispute altogether the assumption that is involved in the question of the honorable Senator from West Virginia on that subject. I say, if all the railroads of the country were owned by one man, that same struggle would occur, which, by the way, the advocates of this kind of legislation are seeking to stifle—the competition between communities seeking to grow and extend their operations. That is what has for all these years been dragging down. I appeal to the honorable Senator, who is familiar with the dates of these consolidations, whether or not it is not true that before consolidation and since consolidation of these systems these rates have not steadily declined. I do not mean some individual rate that may have been for some particular reason advanced, but I am speaking broadly.

The CHAIRMAN. I admit that is true. But suppose the rates should be advanced 100 per cent, the power to so advance residing in the monopoly or consolidation. I admit, as you say, that the tendency has been downward. But it is a very serious affair when the power exists to advance rates 100 per cent, and I ask, Should not some power intervene to restrain it? I do not say they have exercised that power, but they might.

Mr. DAVENPORT. Many of these evils may not come to pass.

The CHAIRMAN. But you recognize the fact that that is a power which the railroads may exercise if they so desire, and it might be to their interest.

Mr. DAVENPORT. That is true.

Senator FORAKER. I understand your point to be that it has been this competition between communities and shippers rather than any other influence that has operated to bring down rates?

Mr. DAVENPORT. Certainly.

Senator FORAKER. And one of the effects of this legislation would be to destroy that competition?

Mr. DAVENPORT. Yes, sir. That has been increasing in intensity every year, and it has been more intense and more effective since the formation of these different consolidations. Take the Gould roads, of which Judge Cowan was complaining; take the Southern Railway, or all of them—

The CHAIRMAN. It is now after 12 o'clock, and we will have to adjourn.

SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Tuesday, February 14, 1905.*

**STATEMENT OF DANIEL DAVENPORT—Continued.**

The CHAIRMAN. Mr. Davenport, you have the floor.

Mr. DAVENPORT. Mr. Chairman, just before the adjournment the other day Senator Newlands asked me:

Do you intend to address yourself at all to the question as to what legislation can be safely enacted by Congress so as to prevent the natural result of the great combinations which have been organized recently by these railroads and systems, namely, an increase of rates?

Then the chairman (Senator Elkins) asked this question:

If there is a monopoly created by only one railroad reaching one point and a large number of other points, or if by consolidation and combination of railroads one entire district of country falls under that absolute monopoly, and this monopoly makes the rate so high for transportation that the people can not do business, should not some power be found in Congress to say that that rate is too high? But where fair competition can regulate the rates, would it not be better to leave the regulation to the effects of competition? You see my point?

Mr. DAVENPORT. I see the point.

The CHAIRMAN. If, for instance, the raising of wheat falls into the hands of two men, and they advance the price of wheat (which is a necessary commodity) beyond the power of the plain people or poor people to buy it, then should not the Government find some means somewhere to correct such an abuse or evil? I do not care for you to answer that right now; you may take your own time.

That diverts me a little from some of the matters I consider as most important to be considered by the committee.

Senator FOSTER. Unless the chairman wants an answer now to that question propounded by him, I should like to suggest to you a line of argument or discussion that it seems to me will be of particular value in discussing the bill before us; and, unless it breaks too much into the line of your argument or the wishes of the chairman, I should like to ask you to discuss the propositions that are now before the committee.

The CHAIRMAN. At any time that suits his convenience; and, Senator Foster, you can indicate.

Senator FOSTER. Mr. Davenport, the President, in his last annual message, made the following statement:

The Government must, in increasing degree, supervise and regulate the workings of the railways engaged in interstate commerce, and such increased supervision is the only alternative to an increase of present evils on the one hand, or a still more radical policy on the other. The most important legislative act now needed as regards the regulation of corporations is this act to confer on the Interstate Commerce Commission the power to revise rates and regulations, the revised rate to go at once into effect and stay in effect unless and until the court of review reverses it.

The lower House of Congress, in response to the message of the President, formulated in its committee and passed almost unanimously the bill known as the Esch-Townsend bill, which has been by the Senate referred to this committee for action. What I should like to have you do is to present what objections, if any, you may have to this bill, either in a general way or in detail.

Mr. DAVENPORT. I shall be pleased to do as suggested by Senator Foster.

Senator FOSTER. This is a concrete proposition before us concerning a matter that is very largely attracting our attention and the attention of the country at present. The purpose I have in view is to get

from you an expression of your objections, if you have any, to the passage of this measure.

Mr. DAVENPORT. I will endeavor to conform to the suggestion of Senator Foster first in a general way, and then proceed to particulars.

It is true that the President in his message strongly urged the passage of some law which would confer upon the Interstate Commerce Commission the power to fix a rate that would go into effect at once and remain in effect until changed by some court; but I want to call the attention of Senators to this proposition: That there are in the path of any such procedure as is outlined by the President in a general way and as that proposition has been attempted to be worked out in this bill very serious constitutional obstacles; that they are very stubborn and are sufficient to prevent the effective carrying out of any such programme.

You know that under our form of Government we have the three-fold division--the executive, the legislative, and the judicial departments. Of course we understand in a general way what is meant by those words; the executive executes; the legislative makes the laws; the judicial ascertains the law applicable to an existing state of facts and applies that law to the facts in particular cases, administering the law as it bears upon that particular group of facts presented to it.

You know, also, that it has been the course uniformly pursued by the courts of the United States to refuse to perform either legislative functions or administrative functions. On the other hand, they have been most jealous of all that pertains to their own authority.

You can not confer judicial power upon any commission. We discussed a little the other day the principle of conferring legislative power upon a commission. Now, with that impassable barrier between those subjects of governmental authority, in what condition is the legislation now proposed before this committee or suggested by the President?

The Supreme Court of the United States has decided emphatically that you can not confer judicial power on the Interstate Commerce Commission; that that Commission can not exercise any judicial function; that the sole extent of its authority is limited to legislation or administration of the character that we have been considering. And you will remember that as far back as 1889 Mr. Justice Jackson, perhaps one of the best judges who have gone to the bench in recent years, laid down emphatically the doctrine, the exact language of which I will quote from 37 Federal Reporter, 613:

The functions of the Commission are those of referees or special commissioners, appointed to make preliminary investigation and report upon matters for subsequent judicial examination and determination. In respect to interstate commerce matters covered by the law, the Commission may be regarded as the general referee of each and every circuit court of the United States upon which the jurisdiction is conferred of enforcing the rights, duties, and obligations recognized and imposed by the act. It is neither a Federal court under the Constitution, nor does it exercise judicial powers, nor do its conclusions possess the efficacy of judicial proceedings.

This was concurred in later by the Supreme Court of the United States, through Mr. Justice Harlan, and is reported in 154 U. S., 485. You will remember that the Commission first undertook to go to court and get an order to enable them to carry out the orders or decrees of the Commission, thinking, of course, that what the Commission had done was sufficient to authorize the court at once to issue judicial process to execute the order. But the Supreme Court said,



That is impossible; this Commission is and can be nothing but an administrative board; when the matter comes before the court the whole matter is to be investigated *de novo* and determined by the court, and it is not in the power of the legislature to confer upon that body such powers as will keep the whole matter out of the courts.

Upon the general proposition involved in that I desire to quote again from *Smyth v. Ames* (169 U. S., 527) as illustrative of that proposition:

The idea that any legislature, State or Federal, can conclusively determine for the people and for the courts that what it enacts in the form of law, or what it authorizes its agents to do, is consistent with the fundamental law, is in opposition to the theory of our institutions. The duty rests upon all courts, Federal and State, when their jurisdiction is properly invoked, to see to it that no right secured by the supreme law of the land is impaired or destroyed by legislation. This function and duty of the judiciary distinguishes the American system from all other systems of government. The perpetuity of our institutions and the liberty which is enjoyed under them depends, in no small degree, upon the power given the judiciary to declare null and void all legislation that is clearly repugnant to the supreme law of the land.

I lay it down as a universal proposition, applied and illustrated by numerous decisions both in the State and the Federal judiciary, that it is not in the power of a State legislature or of Congress to put in force any schedule of rates which any judge of a court of equity can not enjoin after hearing and after having satisfied himself that it is unreasonable. That follows necessarily, according to all the authorities, from the fact that the imposition by law of unreasonably low rates is a taking of property without due process of law, and also taking private property for public use without just compensation. So it is jurisdictional in the courts to inquire into and settle all those questions.

Senator FOSTER. Mr. Davenport, does not this bill make special provision for the review by the courts of any action which the Commission may take in making rates, and does it not authorize the courts to decide upon the lawfulness, the justice, or the reasonableness of the rate?

Mr. DAVENPORT. The Senator's inquiry develops another difficulty which I was not at the moment addressing myself to. That law imposes a legislative duty upon the court.

Senator FOSTER. I was going to say that I think some discussion could be had upon that provision of the bill, but when I mentioned that provision of the bill it was just simply for the purpose of attracting your attention to the fact that this rate-making power—or rate-revising power, or whatever you may term it—on the part of the Commission is not final, but is subject to review by the courts, both intermediate and of last resort.

Mr. DAVENPORT. I follow the line of thought of the Senator, and in reference to that I would direct his attention to the radical difference there is between the legislative act and the judicial act. The legislative act applies to future conditions; the judicial act applies only to existing conditions, and applies the law to those conditions. That is illustrated in a great many cases in the Supreme Court of the United States, as well as in the inferior courts.

So that the first question that occurs to any lawyer is, What sort of a duty has the learned House of Representatives sought to impose upon the court? Is it a judicial duty, or is it a legislative duty?

Senator FOSTER. Are you speaking of the court, or of the Commission?

**Mr. DAVENPORT.** The so-called transportation court.

Now, it seems to me that the whole cast of the act is such that the Supreme Court—and the inferior courts hereafter, for that matter—will say that the Congress has sought to impose upon the judiciary of this country legislative duties, and that is something that we have uniformly held it can not do, something that we can not assume to exercise, and we will not.

You will remember that in 1792, when the law was passed that provided that the judges of the circuit courts of the United States should pass upon claims for pensions, the matter came up before different judges, and the conclusion then arrived at by the judges was that that act did not confer upon them judicial power; that it was really naming them as commissioners; and some of the learned justices refused to exercise it, and others did.

Along in 1845 or so, when matters came up from Florida under a treaty, a case was brought before the Supreme Court of the United States, which is reported in 13 Howard, under some Spanish name which I forget, and you will see in a note to that case that the Chief Justice, by direction of the court, reviewed that early action and again laid down the principle that the courts of the United States would not exercise any legislative authority whatever or any administrative function, that they would not permit Congress to impose upon them any such duty, that the distinction between the departments was broad, and that that distinction must be carefully and religiously retained and observed.

Now, I appeal to Senators, as they come to study this bill, whether or not in that bill the duty that is attempted to be imposed upon that transportation court is judicial or legislative or administrative.

**Senator CARMACK.** Could not that be cured by striking out the words "unreasonable" or "unjust," or whatever the words are, and leaving in the word "unlawful?"

**Mr. DAVENPORT.** If you do that, of course the purpose of the act would be to do the very thing which Senator Foster thinks is provided against. In other words, you have made these five or seven Commissioners the absolute masters of all this railroad property. All this talk about revising rates and making rates and all that is mere play upon words. The Commission, when it once gets its authority to act, in that matter, will be necessarily complete masters of the whole situation.

**Senator FOSTER.** Mr. Davenport, pardon me right here. You do not contend that this act confers judicial powers upon the Commission, do you?

**Mr. DAVENPORT.** I should think not. I should think it was evidently intended to confer upon them legislative authority and administrative authority.

**Senator FOSTER.** You think it is rather to confer legislative and administrative authority upon this Commission. That is one provision of the bill; the other relates to the courts and the jurisdiction of the courts. But what I wish to find out from you first is whether, in your opinion—which has a great deal of weight with me—you contend that this act gives any judicial powers to the Commission; for when it comes to the question of power given to the courts the other question arises, and I should like to get your views upon that. You see there are two distinct propositions in the bill.

Mr. DAVENPORT. Properly speaking, I do not understand that it does confer judicial power upon the Commission. If it did, of course it would be a nullity.

Senator FOSTER. It would be unconstitutional.

Mr. DAVENPORT. But my mind runs along at once, then, to what is the power conferred upon the court. It can not be judicial power that is conferred upon the court, although the language of the act, as I notice it here, is that they shall have the powers of a circuit court—

That in the exercise of the jurisdiction defined and conferred upon it by this act the Court of Transportation shall possess all the powers of a circuit court of the United States, so far as the same may be applicable.

Now, what power, what duty imposed upon the court in that bill is judicial? Is it any other power than to say whether or not the Commission has proceeded according to the forms of law, or is it the power to say that in the future such rates will be reasonable, just, and lawful? If it is the latter, then it is not judicial power, and I take it that when the matter comes to be thrashed out before the court, if this bill should become a law, this would be the result: That unless the court held that these things were so dovetailed together that the act could not properly stand unless it stood as a whole, they would come to this conclusion, that the Interstate Commerce Commission was clothed with the powers of the legislature to make rates; that the Transportation Court was clothed with those powers which were sufficient to decide whether or not the Commission had conformed to the law in making its orders.

Now, as we follow the matter we begin to get, as I consider, into very deep water. What is the difficulty in conferring upon the court the power that is there sought to be conferred? We can only work it out by taking a concrete case. Soon or late, somewhere or other, this act will touch private property. The legislative act, being carried out through the instrumentalities provided in the bill, will come in contact with property in such a way that the owner will appeal to the courts for protection against the enforcement of the provisions the legislature has enacted. I take it that it might come up in this way perhaps: You will notice that it is provided in the bill that when the Commission has made an order it is to go into effect at once; we will say that no appeal is taken from the order; the railroad disobeys the order; the act provides that a penalty of \$5,000 shall be imposed and may be collected by an action of debt instituted by the proper authority, as mentioned in the bill; suit is brought. Where does it go? It goes straight into the court, and under the provisions of the Constitution, to which I called your attention the other day, that being a case at law and involving more than \$20, it must go to a jury for trial. You can not escape it. That question must be tried before a jury, and in the trial of the case every single question involved in the whole matter—as to the lawfulness, the reasonableness, and the justice of the order—is open to investigation.

There is another aspect of it in that very connection. The learned authors of this bill have made this provision: That the proceedings before the Commission are to be made of record, and that record is to be transmitted to the court, and no testimony can be received by the court unless it is some evidence that did not exist at the time the order was made, or something that the party could not have obtained previously by the use of reasonable diligence. Right there, Senators, I submit to you as lawyers that you strike a snag, because you can not

limit the jurisdiction of the court any more than could have been done by the Quarles-Cooper bill, which I hurriedly examined once, where it is said that the court may go into the matter if it sees fit. According to that bill the court can go on upon the record presented or they can take more evidence. That, of course, is unconstitutional, because the party has a right to go into court, the court is bound to take the testimony that is offered, and you can not deny the party the right to offer testimony in the case. It is an unwarranted attempt on the part of the legislature to take away from the court its judicial function, and a court can not renounce its own jurisdiction.

So that in those two respects that bill or any of these proposed bills is open to constitutional objections.

But suppose this takes place; suppose that in the State of Connecticut private property is taken without just compensation under this law, and the owner goes into the State court. Under the decisions of the Supreme Court of the United States he has a right to go there; he has a right to appeal to the State court for protection against this invasion of his property rights, and he can appeal to all the processes and all the machinery of the courts to protect his property.

Now, I make this point especially in regard to the bill now before you (the Esch-Townsend bill) to which the Senator has directed our attention, that upon its very face it is unconstitutional. Since I came to Washington I have learned that the Democratic party has adopted this as a party principle; that power must be conferred upon the Interstate Commerce Commission to fix an absolute rate; that that rate must go into effect at once, and that it shall remain in effect until such time as the courts shall declare that it is not valid. I wish I had brought with me the World Almanac that I happen to have in my room.

Yesterday being Lincoln's birthday, I took the World Almanac and looked over the platforms of the Republican party, the Democratic party, the Continental party, the People's Party, the Christian party, and all such, and I looked in vain for any such doctrine as that which the American people have been invited to consider, that a commission shall be appointed to fix an absolute rate and do the other things I have mentioned. I could not find it. I could not find it in the Democratic platform; I could not find it in the Republican platform, although it claims pretty much everything; I did find something that looked like it in the platform of the People's Party; and there was a plank in the platform of the Continental party that was evidently intended to work out the idea Senator Newlands has, where it calls for the building of one or more 4-track railroads from the South to the North, and one or more 4-track roads from the Atlantic to the Pacific. Of course this is more entertaining, perhaps, than instructive. But I want to attract your attention to this point in all sincerity and earnestness as lawyers; that it is not in the power of Congress, by a commission or directly, to say to any railroad company, You shall charge a certain rate. Congress can say, You shall not charge more than a certain rate, provided it is not made unreasonably low. But Congress can not say to any person, You shall charge that sum and no less, for that is taking away from a man his property without due process of law; it is taking his property, we will say, for public use without just compensation.

Senator CARMACK. Is it your contention that Congress may say, You can charge not more than a certain rate, but can not say, You shall not charge less than a certain rate?

Mr. DAVENPORT. Yes, sir. It can not say, You can not charge less than a certain rate, nor can it say, You shall charge that rate: but it can say, If you are going to charge such a rate as that you shall publish it, and you shall charge everybody alike. But it can not say to a person, You shall not charge less than a certain rate. For see what is involved in the proposition.

Senator CARMACK. But Congress may say, You may not charge more?

Mr. DAVENPORT. If it is not unreasonably low. You will notice that in the case of *Munn v. Illinois* (94 U. S.), the Supreme Court decided that the State could say that the railroads should not charge more than a certain amount. They put that, of course, upon the ground that the property being devoted to public use in a quasi sense, the authority of the State extended to the point of saying, You shall not charge more for it than is reasonable.

The CHAIRMAN. That was the elevator case?

Mr. DAVENPORT. That was the elevator case that has been referred to over and over again. That is the principle, and I invite the learned constitutional lawyers who may hear me now, or who may hereafter have occasion to examine this subject, to point out a single case or authority which would warrant the contention that the legislative body can say that a person shall not use his property for nothing, or for any sum whatever which is of a less amount than the sum fixed. Why, it strikes down the right of property. It is inherent in it.

What would Congress do if this act should become operative? You would say to the owners of property, You can not use it in any way except as it is directed by the Commission to be used. That is a denial of property rights, and I make this fundamental objection to this bill and all other bills which attempt to provide that the Commission shall fix an absolute rate—for of course this bill provides that it may, and I think says it shall—and that you can not confer upon them the power to say that the carrier shall not charge less than a certain sum.

Senator McLAURIN. Your idea is that the railroad company has the right to use its property in any way it pleases so that it does not injure the rights of anybody else?

Mr. DAVENPORT. That is the idea; and it has the right, so long as it treats everybody equally, to use its property and charge such rates as it sees fit, provided those rates are not unreasonably high.

The CHAIRMAN. Let me ask you a question at this point. Has not Congress exercised the power to fix, definitely and positively, street-car fares and the rates for the use of gas and electricity?

Mr. DAVENPORT. In what case?

The CHAIRMAN. In the District of Columbia.

Mr. DAVENPORT. In what way—in what sense?

The CHAIRMAN. In the District of Columbia Congress has said that the street railroads may charge a 5-cent fare, and some people want a 3-cent fare or eight tickets for a quarter.

Mr. DAVENPORT. Has Congress said they shall not charge less?

Senator FOSTER. Does this bill say that?

The CHAIRMAN. I am impressed by what you say, Mr. Davenport. You say Congress can not delegate a power that itself can not exercise, and I understood you to say that Congress could not fix a definite rate.

Mr. DAVENPORT. Of course not.

The CHAIRMAN. But Congress has said that street railroads in the District of Columbia may charge a 5-cent fare, and has prescribed the rates for the use of electricity and gas.

Mr. DAVENPORT. The Government does not own the street railroads here, does it?

The CHAIRMAN. No, it does not own them.

Mr. DAVENPORT. Does the honorable Senator say that if the railroad company wanted to charge 2 cents a mile it could not do so?

The CHAIRMAN. No; but what I want to draw your attention to—for I was much struck by part of your argument—is that Congress does say that in the District of Columbia, which is peculiarly subject to Congress, the rate shall be so much.

Mr. DAVENPORT. Whether expressed in those words or not, not more than a certain rate is what is implied, and if it was not, it would not be worth anything. These things can all be worked out by sensible, practical men.

Senator FORAKER. Assuming that the rate fixed by Congress is reasonable, enabling the railroad to make a reasonable profit, how does it become unconstitutional for Congress to say, you shall not charge less than a certain rate?

Senator CARMACK. That is what I would like to understand.

Mr. DAVENPORT. I was going to show you. The honorable Senator has with the point of his spear touched the very vitals of this matter. What is the matter here? What is all this howl about? What has given rise to all this trouble? The railroads running to one place favor that place, while the roads running to another place do not favor it. Mr. Bacon's case, as I understand it, was one of that character. Doing business in Milwaukee, he found the railroads running to Milwaukee, and at the same time running to Minneapolis, were giving the advantage to Minneapolis. He did not like that, so he took action. But it was discovered that there were other railroads that ran to Minneapolis which did not run to Milwaukee, and that they would control the situation just exactly as water rates would.

What did Mr. Bacon do? He did not pack his satchel and go to Minneapolis and start in to do business there, but he starts this crusade, which, if I ever get the time to tell you about I want to tell you the way it has been developed, for it has led to this so-called popular clamor for this particular legislation. He has persuaded, or others influenced by him have persuaded, the committee of the other House that there is a great evil to be met, and that the only way in God's world you can meet it is to give to the Commission power to fix rates on those outside railroads running to Minneapolis, so that they shall not charge less than a rate that is fixed. That is the very purpose of this whole business, and it was illustrated—I did not happen to be there, but I read in the papers about what happened before the other committee—by this situation which was disclosed. Here was a shipper in Cleveland, and another in Chicago. One railroad runs from Chicago to New Orleans, another from Cleveland to New Orleans; and the rate from Cleveland to New Orleans was a cent or two higher than on the other line. The Cleveland rate was reasonable enough,

but it was higher than the other, and it was claimed that that operated to the disadvantage of the Cleveland shipper, and of course they worked in the "octopus" of the Standard Oil Company somewhere in Chicago.

Now my question was, What are you going to do with a case like that? You want to place these communities all on the same basis. The rate is reasonable, and if you undertake to reduce that Cleveland rate you are up against the constitutional provision that you shall not require a railroad to carry at an unreasonably low figure. Then it comes about that the rate from the other place to this point must be hoisted. If that is done, I say you are up against the same constitutional objection, because while you can say, You shall not carry goods for an unreasonably low figure, you can not say to a property owner, You shall use your property at another rate which would, under your conditions, be found to be remunerative.

Senator CARMACK. Well, Mr. Davenport, after all, if Congress fixes a rate and says, You shall not go lower or shall not go higher, is it not just simply a question, in the last resort, of whether that is not a rate that is oppressive to the railroad, whether private property can be taken without due process of law, whether it is not confiscation? Is not that the question involved. And so, no matter what the rate is, if Congress fixes the rate absolutely and says it shall not be above or below that, does it not come down to that question at last?

Mr. DAVENPORT. It does not.

Senator CARMACK. When is the fixing of a rate necessarily unconstitutional?

Mr. DAVENPORT. To take away from a property owner the right to use his property for a less amount than the legislative body thinks is reasonable is to deprive that person of his property.

Senator CARMACK. That is a question of fact, whether it does or not.

Mr. DAVENPORT. Is it? If the legislative body says to a person with a horse and wagon going into another State for the purpose of performing common-carrier business, "You shall not charge but a certain amount, not higher," that is all right, if it is not excessively low; but if says to that man, "You shall not charge less," that is depriving that man, in a legal sense, of the use of his property.

Senator FORAKER. To use your own illustration, a railroad from Chicago to New Orleans, how do you take away the property of the owner of that railroad without due process of law by saying that he shall charge 5 cents, for illustration, where he is only charging 4? How does that take it away from him? I see the difficulty you advert to about the relation of communities.

Senator CARMACK. I see the practical difficulties, but I do not see that it is a question of law.

Mr. DAVENPORT. Let us see if it is not. Suppose the common carrier, being impressed with the old-fashioned idea that what is his is his, so long as he is not injuring anybody—a notion that is rapidly getting out of date in certain quarters—says, "I can make more money by carrying passengers or freight at 3½ cents a mile, and I am going to do it;" the legislature has said, "You have got to charge 5 cents a mile;" he is brought into court, he says, of course, "It is mine; it is my property right, protected by all the constitutional guarantees;" if you should step in here and say, "You shall not use your property," *when it is innocently in use*, that will deprive him of his property.

Senator FORAKER. Do you not in that connection lose sight of the fact that railroad property is quasi-public property; that these railroads exist only because, in the first place, they get a charter from the Government to be a corporation, and then, in the second place, the franchise under which they operate, all of which is subject to such conditions as the Government may see fit to impose?

Mr. DAVENPORT. In reply to that let me remind the honorable Senator—

Senator FORAKER. I am not asking this to develop any controversy, but only to develop your line of argument.

Mr. DAVENPORT. I understand. The proper way to answer a question is to answer it directly; but has not the honorable Senator, in asking that question, lost sight of the principle that while these corporations that exercise this power are clothed with the right of eminent domain, the same law applies whether the business is carried on by a common carrier which is a corporation having that right, or whether it is carried on by an individual, whether by canoe, on horseback, by steamboat, or by a train of cars? The principle that applies to all this business is the principle that people are engaged in the work of a common carrier. It is not affected at all by the fact that one is a chartered corporation, clothed with certain powers of eminent domain. The vital and essential thing in the legal proposition is that they are engaged in work of a public character, over which time out of mind the legislative authority has claimed the right to limit the charges to a sum which shall be reasonable. It does not make any difference whether I am a tin peddler traveling from Bridgeport to New York, or whether I am a railway magnate with an enormous railway line at my command, for the fact is that I am carrying for the public under the law governing common carriers.

The CHAIRMAN. It seems to me that, aside from the question of eminent domain and railroads being public institutions, railroads are highways, and highways, it seems to me, for all time have been under the guardianship and supervision of the State and the Government, so that you can not obstruct them. The Indians did not allow their trails to be interrupted; they did not allow their canoes or rivers to be interrupted. Now, a railroad being a highway, does not that fact lift it out of the ordinary rules governing property?

Mr. DAVENPORT. That is, you place it on the same basis as the old-fashioned turnpike company?

Senator CARMACK. As a matter of principle.

The CHAIRMAN. Leave it that way.

Mr. DAVENPORT. We will suppose that it is not in the charter of the company when it was called into being that it should not charge less. Of course, if a corporation received a charter which had a condition in it that it should not charge less, that would be a matter of contract between the company and the State. But would you contend seriously or earnestly, if a turnpike company were authorized to charge a certain toll and could not charge less, and that if it undertook to do so and the legislature stepped in and said it should not, that that would not be an invasion of the right of property?

Senator CARMACK. Mr. Davenport, you said a while ago that if the common carrier claims that it can make more money by carrying at three and a half cents, the legislature can not step in and say it must charge five. Now, the common carrier might also say that it could



make more money by charging five, but the legislature may step in and say that it must charge three and one-half, and if that is not an oppressive rate the legislature has the right to do that. As a matter of law I can not see how you differentiate the two cases. I can see the practical difficulties arising in the way of putting that into operation, but I can not see the question of law.

Mr. DAVENPORT. Let us see if I can not illustrate.

Senator CARMACK. The fact that a man has the right to make use of his own property does not apply to common carriers.

Mr. DAVENPORT. Why not? I am speaking of the law as laid down by the judiciary of the country, to which we must all come at last. Can there be found in the books anywhere an authority that would warrant the statement that an individual can not charge less than a certain amount?

Senator CARMACK. You do not consider that a railroad has the right to sell transportation with the same freedom that a man has the right to sell sheep, for instance. You can not prescribe the price a man shall charge for his sheep, but we have always limited common carriers in that manner.

Mr. DAVENPORT. Let me call the attention of the honorable Senator from Tennessee to this decision of the Supreme Court of the United States (162 U. S., 184-196-197), where the court said:

The reasonableness of the rate in a given case depends on the facts and the function of the Commission is to consider these facts and give them their proper weight. If the Commission, instead of withholding judgment in such a matter until an issue shall be made and the facts found, itself fixes a rate, that rate is prejudged by the Commission to be reasonable. \* \* \* Subject to the two leading prohibitions that their charges shall not be unjust or unreasonable, and that they shall not unjustly discriminate so as to give undue preference or advantage to persons or traffic similarly circumstanced, the act to regulate commerce leaves common carriers as they were at the common law, free to make special contracts looking to the increase of their business, to classify their traffic, to adjust and apportion their rates so as to meet the necessities of commerce, and generally to manage their important interests upon the same principles which are regarded as sound and adopted in other trades and pursuits.

Now, I would call the attention of the committee to this fact, that there is no special law or special provision of the Constitution which gives Congress authority to regulate railway rates. The power given to Congress is the power to regulate commerce between the States, and under that power you can regulate every kind of interstate business.

Senator FOSTER. After this power had been conferred upon the Commission suppose the Commission had adopted a rate which was lawful, just, and reasonable; could it enforce that order?

Mr. DAVENPORT. Oh, no.

Senator FOSTER. If the Commission adopts a rate in matters of interstate commerce, a rate that is reasonable, and just, and lawful, and then issues its order—

Mr. DAVENPORT. Then what happens?

Senator FOSTER. Could that order be enforced by the courts?

Mr. DAVENPORT. If the court, upon investigation, is satisfied that the rate is lawful, then the court can go ahead and do it. It is not done, though, because it is the order of the Commission, as the Supreme Court expressly stated. The man is not in contempt because he disobeys the order of the Commission.

Senator FOSTER. These cases you have supposed may or may not arise. I am trying to get at one point only now, and that is, if the *Commission* legally exercises the powers which have been conferred

upon it by this bill, in your judgment can the orders of the Commission be enforced? Is there any legal or constitutional difficulty in the way of the enforcement of that order?

Mr. DAVENPORT. No; if there is not something else in the provisions of the act to prevent it. But you asked me how they are to be enforced. How would they be enforced? The petitioner goes to court, and there every question involved is a jurisdictional question: Is it reasonable? Is it lawful? Is it just? And not until that has been judicially ascertained can that order be enforced by the courts, and in the decision of that matter the whole question has to be tried.

I return now to the proposition I started out with, that it is not in the power of Congress or of the State legislature to keep those questions out of Court.

Senator FOSTER. But you have an order of that kind issued by the Commission; in that case would the question you have just suggested be considered by the court?

Mr. DAVENPORT. Of course it would. It must be.

Senator CARMACK. You say the courts would not undertake to pass upon the question of the justness or reasonableness of the rate because that would be an assumption of legislative power.

Mr. DAVENPORT. In the determination of that matter if the intent of the act is to give the power to review before the order becomes operative as a law bearing upon the facts of the case, then I say that the courts would not assume to exercise such power. But let us get right down to it—

Senator McLAURIN. Regarding the matter of prescribing minimum tariff rates, I can understand how the railroad companies, having the right to use their property in any way that pleases them so long as they injure nobody else, could charge as low rates as they saw fit, and that they ought not to be interfered with by any law unless the charging of these minimum rates should have the effect of destroying a competitor first and then afterwards raising the rate to a higher figure than existed before. Would the legislature have the right to prevent that?

Mr. DAVENPORT. I should think the lowness of the rate would not be within the control of the legislature.

Senator McLAURIN. Suppose the tariff were so reduced by the railroad company for the purpose of destroying some competitor and in order that the railroad might afterwards raise its tariff to a higher figure than it was before, would it be constitutional for Congress to prohibit the railroad from doing that?

Mr. DAVENPORT. I was going to say something about that in response to the question by the honorable Chairman, because you remember we have a law on the subject, known as the Sherman Anti-Trust Act, which is an instrumentality of the most far-reaching import. That act provides that every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade is unlawful and is made criminal. Another section provides that if any attempt is made to monopolize interstate business, either in part or in whole, the person making that attempt is subject to the same penalties. There you have the law which, it seems to me, is the only law of that character which could be made applicable to these matters. Where men have combined together for the purpose of monopolizing any part of interstate

trade the penalties of that act are denounced against them. That would apply to combinations that the Senator asks about.

The CHAIRMAN. Mr. Davenport, it is now 12 o'clock. How long a time do you think will be necessary, from your standpoint, to close your argument?

Mr. DAVENPORT. Oh, gracious! There are a great many things here that ought to be talked about. There are vital difficulties in this business.

The CHAIRMAN. In the bill?

Mr. DAVENPORT. Not only this bill, but anything you can think of in connection with it. If you can give me free way for an hour or so some time, I should like to give you my views on these matters.

Senator CULLOM. Why do you not come right to it, for you have been talking two days here in a discursive sort of way. Why do you not confine yourself to the provisions of the bill?

Mr. DAVENPORT. This bill has been brought to my attention by the honorable Senator from Louisiana, and therefore I have endeavored to discuss it.

Senator FOSTER. I will state to the Senator from Illinois that this morning, before he came in, I asked Mr. Davenport to address himself particularly to this bill.

Senator CULLOM. It is very plain to me, as it doubtless is to every other Senator here, that we can discuss this bill in a general way and the subjects pertaining to it from now until dog days. But the question is whether we are going to legislate or not.

The CHAIRMAN. That is a matter to be considered in executive session, not for the public.

Senator FORAKER. The remarks addressed to us by Mr. Davenport have been quite in order, and have certainly been interesting to me. They have presented questions that we are bound to consider, and I feel very much obliged to him for the help he has given us in that respect. I do not know that I shall be able to agree with everything he has said, but I do most heartily agree with him about some things.

Senator CARMACK. There is one point that I should like to have light upon, and that goes to the whole question.

Senator FORAKER. We have all taken the liberty, as we generally do, of asking a number of questions, and Mr. Davenport has kindly undertaken to answer them, and his answers have all had relation to this general subject.

Senator CULLOM. I am not complaining of the speaker; but it seems to me that, in view of the shortness of this session, if we are going to undertake to pass any bill we ought to confine ourselves to the provisions of some definite bill; if it is wrong, make it right if we can; and if it is right, report it to the Senate.

The CHAIRMAN. This is a matter for executive session. Let the room be cleared.

Senator FORAKER. I think it is a matter for open session. I am not going to vote to report any bill until I know what it is.

Senator CARMACK. I want some light on this question. If the power to be exercised by this Commission is a legislative power, I want somebody to give me light on the right of Congress to confer legislative power upon a commission to be appointed by the President. It looks to me like a delegation of legislative power to a branch of the execu-

tive department of the Government, and that has given me serious trouble in this whole matter.

Senator FOSTER. I questioned Mr. Davenport the other day upon that very subject.

Senator FORAKER. Speaking generally, state as concisely as you can the various propositions you have in mind.

Mr. DAVENPORT. If it is interfering at all with matters before the committee, I do not think I want to be heard. I have been heard quite as much as my vanity would prompt me to ask.

The CHAIRMAN. You appear here, not for the railroads, as I understand?

Mr. DAVENPORT. Not for the railroads.

The CHAIRMAN. I have a dozen applications here from strong people who desire to be heard on behalf of the railroads. We have not heard anything yet from that side.

Mr. E. P. BACON. Mr. Chairman, I would like to have a minute in order to make an important correction of Mr. Davenport's statement in regard to the business between Minneapolis and Milwaukee. He states that there are certain lines of road running to Minneapolis and not running to Milwaukee. The fact is that the roads were common to both cities, and the difficulty arose from that very fact. If they had been separate and independent, the competition between the two markets would have given us the equity we wanted; but from the very fact that the same companies were interested in both markets, we were precluded.

Senator FORAKER. They were building up Minneapolis to the prejudice of Milwaukee?

Mr. BACON. That is it.

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SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Friday, February 17, 1905.*

**STATEMENT OF DANIEL DAVENPORT—Continued.**

The CHAIRMAN pro tempore (Senator DOLLIVER). We will ask Mr. Davenport to proceed.

Mr. DAVENPORT. Senator Newlands, at the hearing next preceding the last session of the committee, inquired if I intended to address myself to the subject of what legislation could safely be enacted along the lines that have been indicated in the discussions hitherto before the committee; and Senator Cullom suggested at the last session that we come down particularly to some of the objections, if any, to this particular bill (Esch-Townsend bill, H. R. 18588).

Of course the most important thing for Senators to consider is what defect, if any, has been found in the existing statutes. Upon that point I want to remind you of what Judge Cowan said and what has been repeatedly said by those gentlemen who are active in the propaganda for changing the interstate-commerce law as to the matter of delays. You remember that Judge Cowan stated that they wanted to find out whether the rates were too high on shipments of cattle from points in the southwestern country to Kansas City and Chicago, so they had to bring a case before the Interstate Commerce Commission, and

they have taken the best part of a year in taking testimony, covering some 20,000 pages, and the matter is not yet in such shape as to be heard by the Commission. From that he concluded that the proper remedy was to clothe the Commission with more power than it now has.

As I have already endeavored to point out to you, it is impossible to keep out of the courts the investigation of all the matters that are involved in the orders of the Commission, so it would seem that the sensible thing to do would be to consider whether or not these preliminary hearings before the Commission are necessary, and whether the preliminary hearings before the Commission are not the principal source of the evils resulting in delays, which seem to be a well-founded grievance on the part of the shipper.

I reiterate the statement I made the other day, that under the decisions of the Supreme Court of the United States you can not confer judicial power upon the Commission; that the only power that has been conferred upon it has been that of investigation for the purpose of bringing matters to the attention of the courts later.

The proposition in this bill, if I understand it, is to evade, if possible, that constitutional difficulty as far as it may be done, the theory of those gentlemen being that a successful evasion of the Constitution would be the equivalent of a compliance with it.

Senator NEWLANDS. Mr. Davenport, do you understand that the Supreme Court has determined that the power exercised or sought to be exercised by the Interstate Commerce Commission, of declaring a rate unreasonable and then compelling obedience of the companies, is a judicial power and can not be conferred upon the Commission?

Mr. DAVENPORT. I understand so. The courts have emphatically decided——

Senator NEWLANDS. You would not call the fixing of the rates themselves by the Commission the exercise of judicial power, would you?

Mr. DAVENPORT. No; not at all.

Senator NEWLANDS. But those rates can only be enforced through the courts.

Mr. DAVENPORT. That is absolutely so; and repeated decisions have been made on that subject, commencing at the time the Commission first went into court to procure the aid of the process of the court to enforce its own orders.

Senator DOLLIVER. I shall be obliged to you, Mr. Davenport, if you will, at your convenience, prepare and insert here a brief of references upon that question.

Mr. DAVENPORT. The authorities upon that subject are numerous and conclusive.

In the first place, I would call your attention to the language of the Supreme Court in 103 U. S., 190:

It is believed to be one of the chief merits of the American system of written constitutional law that all the powers intrusted to government, whether State or national, are divided into the three grand departments—the executive, the legislative, and judicial; that the functions appropriate to each of these branches of government shall be vested in a separate body of public servants; and that the perfection of the system requires that the lines which separate and divide these departments shall be broadly and clearly defined.

And again in *Interstate Commerce Commission v. Brimson* (154 U. S., 488-489), the same court said:

*Of course the question of punishing the defendants for contempt could not arise before the Commission, for, in a judicial sense, there is no such thing as contempt of*

a subordinate administrative body. No question of contempt could arise until the issue of law in the circuit court is determined adversely to the defendants and they refuse to obey, not the order of the Commission, but the final order of the court.

In this connection I would call your attention to the language of the United States circuit court in the case of *Shinkle, Wilson & Kreis Co. v. Louisville and Nashville Railway Co.* (62 Fed. Rep., 692, 693):

I am of opinion that this is not a proper case for a preliminary injunction. The right of the petitioners is yet to be established. The opinion of the Interstate Commerce Commission has not the effect of a judicial determination. If a carrier refuses to acquiesce in an order made by that Commission it can only be coerced by a proceeding in a United States court. The mode and right of procedure in this court are by petition filed by the Commission or anyone interested, setting out the judicial duties complained of. Power is then given the court to hear and determine the matter "in such manner as to do justice in the premises." The act then provides that, on the hearing of the controversy thus submitted, "the findings of fact in the report of said Commission shall be prima facie evidence of the matters therein stated." If it shall then appear, on all the evidence heard and submitted, that the order of the Commission was lawful and reasonable, and that it has been violated, it shall be lawful for such court to issue a writ of injunction or other proper process to prevent further disobedience of such order. Now, it is well settled that the court is not a mere executioner of the orders of the Commission. The suit in this court is an original and independent proceeding. This court is not confined to a mere examination of the matter as heard by the Commission. It proceeds to hear the complaint de novo.

On that hearing the findings of fact are evidence operating to make out a prima facie case in favor of the conclusion reached as to the fact of a violation of the interstate-commerce act.

*Kentucky and I. Bridge Co. v. Louisville and N. R. Co.*, 37 Fed., 613.

*Interstate Com. Com. v. Atchison, T. and S. F. R. Co.*, 50 Fed., 295.

*Interstate Com. Com. v. Lehigh Val. R. Co.*, 49 Fed. Rep., 177.

*Interstate Com. Com. v. Balt. and O. R. Co.*, 43 Fed. Rep., 43.

*Interstate Com. Com. v. Cincinnati, N. O. and T. P. R. Co.*, 56 Fed. Rep., 936.

The answer denies most distinctly that the rates about to be restored, and being the same rates passed upon by the Commission, are unjust and unreasonable. It denies that those rates operate to discriminate against the commerce of Cincinnati and in favor of eastern cities. If it be assumed that, upon an application for a preliminary injunction, the report of the Commission is to be regarded as making out a prima facie case of illegal rates, that effect, on such an issue, is lost when an issue is made by a sworn answer upon the principal conclusions of the report.

In the case of *Reagan v. Farmers' Loan and Trust Company* (154 U. S., 396-399) the United States Supreme Court said:

It appears from the bill that, in pursuance of the powers given to it by this act, the State commission has made a body of rates for fares and freights. This body of rates, as a whole, is challenged by the plaintiff as unreasonable, unjust, and working a destruction of its rights of property. The defendant denies the power of the court to entertain an inquiry into that matter, insisting that the fixing of rates for carriage by a public carrier is a matter wholly within the power of the legislative department of the Government and beyond examination by the courts.

It is doubtless true, as a general proposition, that the formation of a tariff of charges for the transportation by a common carrier of persons or property is a legislative or administrative rather than a judicial function. Yet it has always been recognized that if a carrier attempted to charge a shipper an unreasonable sum the courts have jurisdiction to inquire into that matter and to award to the shipper any amount exacted from him in excess of a reasonable rate, and also, in a reverse case, to render judgment in favor of the carrier for the amount found to be a reasonable charge. The province of the courts is not changed nor the limit of judicial inquiry altered because the legislature, instead of the carrier, prescribes the rates.

The courts are not authorized to revise or change the body of rates imposed by a legislature or a commission; they do not determine whether one rate is preferable to another, or whether under all of the circumstances it would be fair and reasonable as between the carrier and the shipper; they do not engage in any mere administrative work; but still there can be no doubt of their power and duty to inquire whether a body of rates prescribed by a legislature or a commission is unjust and unreasonable, and such as to work a practical destruction to rights of property, and, if found

to be so, to restrain the corporation. In *Chicago, Burlington and Quincy Railroad v. Iowa* (94 U. S., 155) and *Peik v. Chicago and Northwestern Railway* (94 U. S., 164) the question of legislative control over railroads was presented, and it was held that the fixing of rates was not a matter within the absolute discretion of the carriers, but was subject to legislative control. As stated by Mr. Justice Miller, in *Wabash, etc., Railroad v. Illinois* (118 U. S., 557-559), in respect to these cases, "The great question to be decided, and which was argued in all those cases, was the right of the State, within which a railroad company did business, to regulate or limit the amount of any of these traffic charges."

There was in those cases no decision as to the extent of control, but only as to the right of control. This question came again before this court in railroad commission cases (116 U. S., 307, 331), and while the right of control was affirmed, a limitation on that right was plainly intimated in the following words of the Chief Justice: "From what has been thus said it is not to be inferred that this power of limitation or regulation is itself without limit. This power to regulate is not a power to destroy. Limitation is not the equivalent of confiscation. Under pretense of regulation of fares and freights the State can not require a railroad corporation to carry persons or property without reward; neither can it do that which in law amounts to a taking of private property for public use without just compensation or without due process of law."

This language was quoted in the subsequent case of *Dow v. Beidleman* (125 U. S., 680, 689). Again, in *Chicago and St. Paul Railway Company v. Minnesota* (134 U. S., 418, 458), it was said by Mr. Justice Blatchford, speaking for the majority of the court: "The question of the reasonableness of a rate of charge for transportation by a railroad company, involving as it does the element of reasonableness, both as regards the company and as regards the public, is eminently a question for judicial investigation, requiring the process of law for its determination."

And in *Chicago and Grand Trunk Railway v. Wellman* (143 U. S., 339, 344) is this declaration of the law: "The legislature has power to fix rates, and the extent of judicial interference is protection against unreasonable rates." *Budd v. New York* (143 U. S., 517) announces nothing to the contrary. The question there was not whether the rates were reasonable, but whether the business, that of elevating grain, was within legislative control as to the matter of rates. It was said in the opinion: "In the cases before us the records do not show that the charges fixed by the statute were unreasonable." Hence there was no occasion for saying anything as to the power or duty of the courts in case the rates as established had been found to be unreasonable. It was enough that, upon examination, it appeared that there was no evidence upon which it could be adjudged that the rates were in fact open to objection on that ground.

These cases all support the proposition that, while it is not the province of the court to enter upon the merely administrative duty of framing a tariff of rates for carriage, it is within the scope of judicial power and a part of judicial duty to restrain anything which in the form of a regulation of rates operates to deny to the owners of property invested in the business of transportation that equal protection which is the constitutional right of all owners of other property. There is nothing new or strange in this. It has always been a part of the judicial function to determine whether the act of one party (whether that party be a single individual, an organized body, or the public as a whole) operates to divest the other party of any rights of person or property. In every constitution is the guaranty against the taking of private property for public purposes without just compensation. The equal protection of the laws which, by the fourteenth amendment, no State can deny to the individual forbids legislation, in whatever form it may be enacted, by which the property of one individual is without compensation wrested from him for the benefit of another or of the public. This, as has been often observed, is a government of law and not a government of men, and it must never be forgotten that under such a government, with its constitutional limitations and guaranties, the forms of law and the machinery of government, with all their reach and power, must in their actual workings stop on the hither side of the unnecessary and uncompensated taking or destruction of any private property legally acquired and legally held.

It was therefore within the competency of the circuit court of the United States for the western district of Texas, at the instance of the plaintiff, a citizen of another State, to enter upon an inquiry as to the reasonableness and justice of the rates prescribed by the railroad commission.

An examination by the committee of the cases of *St. Louis and San Francisco Railroad Co. v. Gill* (156 U. S., 649, 657); *Covington and Lexington Turn Pike Road Co. v. Sanford* (164 U. S., 578, 584, 594, 597),

and *Smyth v. Ames* (169 U. S., 527), will satisfy them that the same doctrine is there laid down.

The character of the questions which are open in every such litigation is stated by the Supreme Court, through Mr. Justice Harlan, as follows (169 U. S., 546):

It can not be assumed that any railroad corporation, accepting franchises, rights, and privileges at the hands of the public, ever supposed that it acquired, or that it was intended to grant to it, the power to construct and maintain a public highway simply for its benefit, without regard to the rights of the public. But it is equally true that the corporation performing such public services and the people finally interested in its business and affairs have rights that may not be invaded by legislative enactment in disregard of the fundamental guarantees for their protection. The corporation may not be required to use its property for the benefit of the public without receiving just compensation for the services rendered by it. How such compensation may be ascertained, and what are the necessary elements in such an inquiry, will always be an embarrassing question. \* \* \* We hold, however, that the basis of all calculation as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the fair value of the property being used by it for the convenience of the public. And in order to ascertain that value, the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stock, the present as compared with the original cost of construction, the probable earning capacity of the property under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters for consideration and are to be given such weight as may be just and right in each case. We do not say that there may not be other matters to be regarded in estimating the value of the property. What the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience. On the other hand, what the public is entitled to demand is that no more be exacted from it for the use of a public highway than the services rendered by it are reasonably worth.

Whenever, therefore, a rate should be established by the Commission under the Townsend bill, or any other which could be devised, it would necessarily be subject to review on the issues thus stated, and the findings of the Commission would probably not have even *prima facie* force, because the question of reasonableness would be jurisdictional and could be determined only by judicial decision. (134 U. S., 618; 169 U. S., 466.) The Commission itself has stated that it finds itself unable to apply these constitutional rules (Annual Report 1903, p. 54), but that "a just rate can not be determined independently of the theory of social progress" (Annual Report for 1895, p. 59), which theory it has never defined. No argument is needed to show how difficult and overwhelming would be the litigation arising from such a situation.

It is interesting to note in this connection how lightly the obligations of the law seem to rest upon the Commission as at present constituted. (See Annual Report for 1903, p. 54.)

It is often difficult to say what constitutes a reasonable rate, and more difficult to give in detail the reasons that lead to the conclusion reached, although the Supreme Court of the United States has given certain rules by which to test the reasonableness of transportation charges, and although the Commission has endeavored to apply those rules, yet whenever it has interrogated railway officials as to whether or not they are governed by them when making rates of transportation, they have invariably answered in the negative and said that to do so would be impracticable. The carriers do not apparently possess the necessary data for that purpose, and there is at present no other source from which the Commission can obtain such data.

That they are ambitious, however, to enter upon the task is shown by the following extracts from their annual reports:

To give each community the rightful benefits of location, to keep different commodities on equal footing, so that each shall circulate freely and in natural volume



and to prescribe schedule rates which shall be reasonable, just to both shipper and carrier, is a task of vast magnitude and importance. In the performance of that task lies the great and permanent work of public regulation. (Annual Report for 1893, p. 100.)

No one who understands the intricacies of transportation would care to assert that the determination of a just rate, or the decision as to what constitutes discrimination, is an easy task. To some extent the principles upon which taxation rests must be allowed in fixing a just rate; to some extent the result of a rate upon the development of industry must be taken into the account in all decisions which the Commission is called upon to make; to some extent every question of transportation involves moral and social considerations; so that a just rate can not be determined independently of the theory of social progress. (Annual Report for 1895, p. 59.)

Within certain limits it is good policy for the railway manager to increase his tonnage, even at the expense of reducing the rate per ton. Just how far this rule applies no one can tell. The merchant who buys an article for a definite price knows when he sells it whether he makes or loses by the transaction; and the manufacturer, as a rule, has a pretty accurate idea of the cost of production; but the railroad operator can not ordinarily say whether he should or should not, as a matter of policy, take traffic at a certain price. (Ib., p. 17.)

The freight rate is a complex problem when applied to almost all competitive traffic. Very few people not acquainted with the subject have any idea how difficult the solution of that problem is. (Annual Report for 1898, p. 15.)

The great bulk of our orders \* \* \* must pertain to the future. They will be orders fixing either a maximum or a minimum rate. (Annual Report for 1897, p. 35.)

The Commission thinks it probable that the cases now pending before it directly or indirectly affect almost every locality and nearly all of the people of the United States. (Advance Synopsis of Annual Report for 1904.)

And when to all their other difficulties is added the requirement that in establishing rates the Commission must fix them so that they give no preference thereby to the ports of one State over those of another, while working out their theory of social progress, it is fortunate that the framers of our Constitution invested the courts of the United States with the whole of the judicial authority granted to the Federal Government.

That being the case, Senators, is it not manifest that every attempt that is made to take from the courts the power to deprive an aggrieved party of his remedy to go into court is absolutely futile; that it only excites expectations that are bound to be disappointed and that will only add to the clamor which has been raised in some way or other; that the courts, in performing their constitutional duties, are in some way attempting to defeat the purposes of Congress? The manifest business proposition is to eliminate as much as possible the delays which are involved in the inquiry before the Commission. You can not make progress along the other line. Instead of requiring, as the Commission does now, a formal proceeding before it and the taking of testimony and investigation as elaborate as the investigation in a court of justice—and which, after all, is of no effect, as the Commission has repeatedly said—why not do away with all that, as far as possible?

Senator NEWLANDS. You would not deprive the Commission of its powers in any way, and the exercise of those powers so far as may be necessary to bring the complaints before the courts?

Mr. DAVENPORT. Certainly not.

Senator NEWLANDS. Do they go any farther than that?

Mr. DAVENPORT. A great deal farther. They try the matter out before the Commission just as if it were a court. They proceed with all these formalities until the Commission has actually got the idea that it is a court, whereas under the decisions of courts they are *nothing more than* commissioners or referees of the circuit courts to make

preliminary investigation as to matters which are brought before the courts.

Undoubtedly the idea of the authors of the original interstate-commerce act, as it now stands on the statute books, was to protect the railroads from the necessity of appearing in court to answer all sorts of charges and defend themselves; in other words, that an inquiry should be instituted which should make a good ground for action in the courts before their interposition was invoked. But that has developed, as you will perceive, into two defects; the railroad companies have to appear and fight it out at great expense, as in court, and it does not operate to protect them at all from this kind of investigation pursued at the hands of parties who think they are injured. On the other hand, it has entailed upon the shipper and those who seek the protection of the law all that expense, and so great is it, as Judge Cowan said, that practically the individual shipper is without remedy.

The CHAIRMAN. I have a memorandum to ask you a question on that point: As you construe this bill, does the expense of initiating, conducting, and concluding proceedings outside of the Commission fall on the shipper?

Mr. DAVENPORT. I have not specially examined as regards that point. I am not now prepared to answer the question of the Senator.

The CHAIRMAN. As I have read the bill, that is one of the things that I thought ought to receive consideration—that the individual shipper standing alone may have to conduct proceedings at his own expense and often meet very great delay of the court, and he may easily fall under the displeasure of the railroad and perhaps not get proper consideration afterwards for that reason. I thought perhaps you might have something to say on that point.

Mr. DAVENPORT. This is the point, as I think we have had this situation revealed by the course of events, that the railroad company and the shipper are hauled before the Commission at the cost of interminable delay and enormous expense for a preliminary investigation that amounts to nothing except to lay a foundation to bring the matter to the attention of the court.

Senator DOLLIVER. But this bill seems to have for its object to make their investigations amount to something definite.

Mr. DAVENPORT. Yes, sir. But I say that an examination of the authorities shows them to be conclusive, that the wit of man can not devise means by which you can keep out of court every question to be investigated by the Commission itself.

Senator DOLLIVER. But if the Commission could not be clothed with the power to find what is a reasonable rate, how did it happen that in the maximum rate cases the Supreme Court in its decision went on, page after page, without even intimating that that power could not be conferred upon the Commission, but discussed simply the question whether or not Congress had intended to confer that power? It seems to me that in that case the very strong implication of the decision is that that power could have been exercised by the Commission if Congress had actually conferred it.

The CHAIRMAN. To fix a definite rate?

Senator DOLLIVER. Yes, sir.

The CHAIRMAN. Does it go that far?

Senator DOLLIVER. Yes.

Senator NEWLANDS. I understood Mr. Davenport to assert that the exercise of the power of fixing rates could be vested in the Commission, but it would not be a judicial power; that the power of enforcing the observance of rates was one that could only be exercised by the courts and not by the Commission.

Senator DOLLIVER. When the court determines what the law is it is the duty of the citizen to carry it into effect.

Senator NEWLANDS. But I mean where they refuse.

Senator DOLLIVER. Of course if a corporation should refuse to obey the law there would be no remedy except in the courts.

Mr. DAVENPORT. The Senator from Iowa will notice that he begs the question there, for when the Commission fixes a rate that is not necessarily the law, because whether it is the law or not is involved in the proceeding in court, and immediately when the matter is brought into court every element involved in it is the subject of investigation. There is no escape from that. In that connection let me refer you again to the case I quoted from the other day, *Smyth v. Ames* (169 U. S., 527):

The idea that any legislature, State or Federal, can conclusively determine for the people and for the courts that what it enacts in the form of law, or what it authorizes its agents to do, is consistent with the fundamental law, is in opposition to the theory of our institutions. The duty rests upon all courts, Federal and State, when their jurisdiction is properly invoked, to see to it that no right secured by the supreme law of the land is impaired or destroyed by legislation. This function and duty of the judiciary distinguishes the American system from all other systems of government. The perpetuity of our institutions and the liberty which is enjoyed under them depends, in no small degree, upon the power given the judiciary to declare null and void all legislation that is clearly repugnant to the supreme law of the land.

Now, to take a concrete case, which is of course the way all practical men would attempt to ascertain the facts and truth about such a matter: Suppose a complaint is made to the Commission that a particular rate of a particular railroad is excessive, unreasonable; the party is required to come in and answer, and in determining whether that particular rate is unreasonable every rate on that road has to be investigated, as Judge Cowan largely illustrated in his case; the value of the property, the original cost of construction, the amount invested in permanent improvements, the operating expenses, the present value of stocks and bonds, the relation between the local business and the through business—all those things have to be considered, and it is a most intricate question, and the whole subject involved is jurisdictional, because you can not single out one rate and say that because that rate may be a little high therefore the road can not charge that rate, for you will see in the decisions of the Supreme Court that the common carrier is entitled to distribute its charges around so that upon the whole of its business it may be able to operate. You can not take one rate and attack that in detail, fix that, and then go on around and fix them all separately and independently in that way.

But, generally speaking, I submit to the committee that it is established, beyond the chance of any reasonable man expecting ever to overthrow it, that the Commission, if it is going to determine whether or not a particular charge is reasonable, has to go into all these matters, and that entails an enormous expense and enormous delay, and when it is all done under the existing law and under this bill or any other that could be devised the case must necessarily be gone over again *by the courts in all respects*, so that the parties are no farther along.

The very case Judge Cowan brought before the Commission—that cattle case—is going straight to the bone yard, you can see, for he did not prove any case according to the rules laid down by the Supreme Court.

Senator NEWLANDS. But does not your contention necessarily lead to the conclusion that instead of simply giving the Commission a revisory power over rates made by the railroads themselves it would be better in the first instance to give them the power of making these schedule rates? As I understand, there is no question about the power of Congress to fix the tolls, and there is no question about the power of Congress to delegate that power to a Commission. As I understand, the railroads object to that power much more than they would to the power simply of revising particular rates upon complaints, or particular schedules upon complaint, or particular classifications upon complaint.

Your objection to that, and I think it is a reasonable objection, is that if half the rates fixed by railroads are too high and half are too low, it would obviously be unjust to reduce the high rates without increasing the low rates, assuming that altogether they produce only a fair return upon the investment. I admit that; but does not your contention lead to the conclusion that, instead of simply giving the power of revision upon complaint, we should just turn right over to the Commission the full power of making tariff rates? Otherwise do you not abandon all power of regulation and control?

Mr. DAVENPORT. According to my conception of this act, although you call this the power of revising rates, practically you confer upon the Commission the power to make rates.

Senator NEWLANDS. That is, through revision, amending, and changing.

Mr. DAVENPORT. And that you can not start in on it and make it effectual unless you carry it on to completion.

The electric bell having sounded the call for an executive session of the Senate, the committee adjourned to 10.30 a. m. to-morrow.

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U. S. SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Saturday, February 18, 1905.*

#### STATEMENT OF MR. MILTON H. SMITH.

The CHAIRMAN. Before proceeding with your statement you may state your name and occupation.

Mr. SMITH. My name is Milton H. Smith. I am president and chief executive officer of the Louisville and Nashville Railroad Company.

Senator FORAKER. We have under consideration what is known as the Esch-Townsend bill. Are you familiar with that bill? Have you seen it?

Mr. SMITH. Yes, sir.

Senator FORAKER. Can you favor the committee with your views with respect to it?

Senator CULLOM. I suggest, Mr. Smith, that you take up the Esch-Townsend bill, and if there is anything in it that you object to, say so, and give your reasons.

Mr. SMITH. Mr. Chairman, I have hurriedly prepared the following comments from the standpoint of one who has served the "servants of the people" for more than forty-five years. I have but a nominal financial interest in the ownership of the corporation I serve.

I ought to have submitted a carefully prepared statement. Circumstances have prevented me from doing so.

It may facilitate comprehension of what I may present if I suggest certain "points of view."

First. The capital of railways is the aggregation of capital of numerous individuals; therefore, individuals own the railways.

Second. Selfishness is the incentive to human endeavor.

Third. Society, as organized, permits each fellow to get what the other fellow has, if he can.

"Railways are servants of the people." So are all corporations and individuals who solicit the patronage of the people. The negro who cultivates a cotton patch is served by the merchant who wants as much of the result of the negro's labor as he can get. His patronage is solicited. A merchant located in a cotton-growing district wrote me, a few months since, that a large cotton crop had been profitably marketed; that the negroes had money, and suggested the running of excursions. My conclusion was that he, having secured all of the money of the negroes to which he was entitled, was selfishly willing that the railways should have the remainder, on the theory that the negroes would not resume work until their money was expended.

The butcher serves the public; so does the milkman. The railways must be regulated; they are. So is the man who sells milk. In the city of Louisville recently the licenses of a large number of sellers of milk were revoked by the health officer because, it was alleged, the milk they sold was produced from cows that had been fed unwholesome food.

The Supreme Court has, in effect, said that under the police powers the people may, through their representatives, do anything that, in the opinion of such representatives, will protect and promote the interests of the people. Assuredly, the railways are regulated; they must transport the mails under regulations and upon terms fixed by the Government; the speed of trains is limited; they are required to provide and erect stations according to specifications provided by representatives of the State; the whistle of the locomotives must be sounded; must not be sounded; they must not emit smoke; equipment must be provided, cared for, cleaned at times and in the manner required by regulations; must be constructed and equipped with certain appliances, etc. The burden of these regulations is being constantly increased. The burden of taxation is also constantly increasing. Individuals furnish capital with which to construct and equip a railway, for which they receive bonds, stock, or other evidences of ownership. The statutes require that the property thus created be assessed at its fair cash value. In addition, a so-called franchise tax is assessed. The owner of a bond of a railway drawing 4 per cent interest is subject to taxation, if he lives in the city of Louisville, equal to between 60 and 70 per cent of the total income. If he lives in Louisville and owns stock in a railway located in Tennessee, such stock is subject to taxation at its fair cash value at the rate of 2.64 cents on each dollar of such valuation, whether he does or does not receive a dividend or income upon the stock.

In addition, the remuneration received for services rendered is,

throughout a large part of the country, fixed by representatives of the State.

Contrast the foregoing with the treatment accorded carriers plying the navigable rivers. The United States Government appropriates money collected by indirect taxation, of which the railways pay an important part, to provide lights to aid the boats in finding their way at night, to improve the rivers by dredging, removing obstructions, constructing dams and locks and maintaining and operating the same, in some instances the cost of maintenance and operation being equal, or nearly so, to the total value of the property transported along the rivers upon which the expenditure has been made; in other words, the Government could, from the interest on the cost and cost of maintenance in some years have saved money by presenting the consignees with the property transported. No attempt is made to regulate or fix the rate charged by such carriers. They may, and sometimes do, increase the rate 200, 300, or 400 per cent without notice.

No attempt has in recent years been made to fix the price which the vendor of milk shall receive for his merchandise, in which is included the cost of the service.

It is proposed that the United States shall, through a commission subject to certain regulations, fix the remuneration which the rail carriers shall receive for that part of the services rendered not subject to control of the States, or what is termed interstate traffic. Those favoring the enactment of such legislation assert that a commission duly authorized can readily perform the duties assigned it in a manner to promote the interests of the people; that it does not require special knowledge or training, other than that which may be possessed or acquired by commissioners appointed by the President; that the representatives of the rail interstate carriers who now perform this service are not men of unusual ability and have not succeeded in adjusting rates intelligently or satisfactorily.

For many years my time and energies were devoted to the adjustment of rates for the transportation of property, especially between points in the territory described as south of the Ohio and east of the Mississippi rivers, and other points in the United States, although I was for three years the general freight agent of the Baltimore and Ohio Railroad. When I first engaged in such work the transactions were very simple indeed as compared with the present complicated ones. The railroad mileage of the country was smaller and the mileage operated by each company much less than now, and the representative of each company made a local tariff, which differed in classification and rate per ton per mile. Property was transferred at each point of intersection, say between Louisville and Atlanta, transferred at Nashville and Chattanooga. I recall that the rate on flour per barrel, Louisville to Atlanta, was made by adding the local rates of three roads:

	Miles.	Rate.
Louisville and Nashville R. R. ....	185	\$0.60
Nashville, Chattanooga and St. Louis Rwy. ....	151	.80
Western and Atlantic R. R. (owned and operated by the State of Georgia). ....	138	1.00
Total rate .....		2.40

That was in 1866-67. The present rate per barrel on flour between same points is 44 cents.

To illustrate the increase in the difficulties of adjusting rates for a large system of roads at the present time, as compared with those encountered in 1869, I submit herewith the local tariff of the Louisville and Nashville Railroad Company in effect in July, 1869, being a single sheet on which is printed the classification and the rates between all stations on the lines operated by the company at that time. It will readily be seen that it would not be difficult for a general freight agent, agent, bill-of-lading or manifest clerk to memorize the classification and rates. A similar tariff was in effect on the Baltimore and Ohio Railroad for lines east of the Ohio River in 1878.

In contrast I will call your attention to some of the classifications and some of the tariffs now in effect on the Louisville and Nashville Railroad.

In an attempt to provide rates between all points on and reached via the roads operated by the Louisville and Nashville Railroad Company the tariffs have become so complicated and so voluminous that I, who devoted many years to adjusting tariffs, am wholly unable to comprehend them, and would much dislike to undertake to quote rates from them. Take the rates from Louisville to Atlanta. In addition to the numerous classes there are, I believe, from 140 to 160 so-called commodity rates. This complexity and volume is the result of an effort upon the part of the traffic department of the Louisville and Nashville Railroad to adjust rates for the transportation of property from all points of origin to all points of destination passing over its (Louisville and Nashville) lines. These rates must be compiled with the cooperation of representatives of competing and connecting lines, and necessarily there is a divergence of views, and the peculiarity is that the views of the representative of the competing line that wants the lowest rate necessarily prevail. In addition to meeting the views of the representatives of connecting and competing lines the views of the other party interested—the shipper or consignee—must be and are considered.

One of the difficulties encountered by individuals when they unite in contributing capital for large enterprises is that such enterprises must necessarily be conducted by bureaus. The officers and employees of such bureaus receive a stated compensation. Only persons of mediocre capabilities are willing to contentedly serve for a daily, monthly, or annual stipend. Mr. Carnegie, commencing as a telegraph messenger boy, early attained the important position of superintendent of an important division of the Pennsylvania Railroad, which he promptly surrendered, doubtless believing he could, in other ways, be more successful in getting what the other fellow had. May this not account for the fact that people who may be said to possess the commercial instinct—the desire to buy cheap and sell dear—are found among the patrons of the railroads instead of among its officers and employees? The traffic officials of the railways of mediocre abilities have to deal with the shrewdest and ablest people of the country, those engaged in commerce, and we may be assured that under these circumstances the interests of the shippers are fully protected. In such a contention the rail transportation lines must be worsted.

There is much said of favoritism shown to big shippers upon the part of the railways. Doubtless there is truth in these allegations,

although I believe that there is much less cause of complaint now than in the past; but it is not the big shippers alone that the traffic officials have to contend with; it is the big cities or communities, where practically all shippers, through their associations, seconded in their efforts by individuals, endeavor to secure a relative adjustment of rates that will give them some advantage over competing big cities or communities. These efforts are often seconded and promoted by carriers that happen to be largely interested in the traffic of these large communities. As an illustration, the representatives of the shippers of Chicago have long complained that the rates from that city to points south of the Ohio and east of the Mississippi rivers were too high as compared with the rates from North Atlantic seaboard cities to same territory. Cincinnati has made and St. Louis is now making the same complaint. If the change is made or an attempt is made, you will immediately hear from the representatives of the North Atlantic cities. If the rate from Chicago is reduced, this changes the relative adjustment of rates from that point with the adjustment from all other western points, including Cincinnati, Louisville, St. Louis, Evansville, Memphis, New Orleans, etc. It is therefore probable that if the demand of Chicago is acceded to, it will result in a general reduction from all points, leaving the relative adjustment about as it now is, which would not be what the representatives of Chicago desire, namely, a more favorable relative adjustment.

I have tried in a feeble way to point out some of the difficulties to be encountered by a commission undertaking to adjust the rates of transportation of the rail carriers of interstate traffic. To me the magnitude of the undertaking is appalling, and I think it will become so to any one who gives the subject serious and studious attention. I think this may account for the expression from the Interstate Commerce Commission soon after it was organized, when, speaking through Judge Cooley, it said:

The Commission would, in effect, be required to act as rate makers for all the roads and compelled to adjust the tariffs so as to meet the exigencies of business, while at the same time endeavoring to protect relative rights and equities of rival carriers and rival localities. This in any considerable state would be an enormous task. In a country so large as ours and with so vast a mileage of roads it would be superhuman, and the construction of the statute which would require its performance would render the due administration of the law altogether impracticable, and that fact tends strongly to show that such a construction could not have been intended. (In re Louisville and Nashville Company, First Interstate Commerce Report, p. 56.)

It may be asked, if the difficulties encountered by the railways in adjusting and maintaining rates are so great, why should the owners not favor adjustment by the United States Government through a commission? The answer is that if the owners of the railways believed that the Government could, through a commission, fairly adjust the rates of transportation so as "to meet the exigencies of business, while at the same time" protecting the "relative rights and equities of rival carriers and rival localities," and enforce the maintenance of such rates, they would doubtless favor the arrangement; but no representative of the railway companies, so far as I am advised, believes that this can or will be done.

It is well known that the present Interstate Commerce Commission, since the expression which I have quoted was made, has not only been



changed in its personnel, but has changed its views, and that it now believes it is competent to adjust rates and is desirous of assuming the responsibility of doing so. From my own experience and observation, the result would be something as follows: Some years ago, under the supervision of the engineers of the United States, certain excavations were made in the harbor of New York. After several years of labor, mines were planted and an explosion arranged for. At a given hour a child pressed a button and the explosion occurred. It is not impossible to plant mines under a number of large cities, all connected by electricity, and by pressing a button, which a squirrel might be taught to do, simultaneously destroy such cities with their inhabitants. Some years ago the cities of Chicago and Cincinnati, through what is known as freight bureaus, appealed to the Commission to reduce the rates from those cities to a number of points in the South, claiming that such rates were too high as compared with rates from other points, and especially the North Atlantic seaboard. The Commission, after an investigation, ordered a reduction to be made. Had the order been literally complied with, the relative adjustment with all other parts of the country would have been deranged—blown up—and the representatives of the railways would have been left to clear the wreck by readjusting or reducing rates from all points affected; in other words, restoring the relative adjustment. A refusal to do this would have resulted in great dissatisfaction and disaster, and would have seriously affected the revenues of some, if not all, of the carriers.

If an adjustment of rates from Chicago and Cincinnati had been undertaken by experienced traffic men they would, from the first, have recognized that if a reduction was to be made it would necessarily involve changes from other points, and the order for such reduction would have been issued simultaneously.

The conclusion I draw is that if a commission is authorized to adjust rates it will not actually undertake the labor of a general readjustment, but may order such changes as its judgment warrants, leaving the traffic officials of the carriers to look to and care for relative adjustment; in other words, that the difficulties of adjusting rates will be largely increased—that an adjustment of rates will practically become a political question or a question between rival communities as well as rival carriers.

In addition to this, the owners of railways fear that the Commission exists to protect the people and not to protect the interests of the railways; that it will only reduce rates; that it will not advance them. Bills have been introduced and advocated prohibiting the Commission from increasing a rate and prohibiting it from preventing the railways from reducing rates.

We may, I think, conclude that should a commission be created with powers to adjust rates, and should it make any material advance in rates and enforce the maintenance of such advanced rates there would be an immediate demand for amended legislation, possibly abolishing the commission.

One difficulty in legislating on the subject, and of enforcing legislation in the past, has been the determination to "eat the cake and keep it." Unjust discrimination, defined as making for one person a lower rate than for another, usually a secret rate, for the transportation of property under similar circumstances and conditions is pro-

hibited by statute, and before the enactment of such statute was unlawful. Personally, I have always opposed—have never practiced or permitted—such an adjustment or such arrangements, not only because it was unlawful, but because, in my opinion, it was bad policy for the carrier, believing that it was better to have the patronage of a hundred small shippers than the same patronage from one large one. Nevertheless, unjust discrimination is the result of competition, and the people and the legislatures insist that the carriers must compete, and they are not satisfied when such carriers compete at equal rates.

This complaint is repeatedly referred to in the hearings given before the Interstate Committee of the House, and it is alleged that because carriers agree upon, issue, and maintain uniform rates it is a violation of the antitrust law. How can the carriers avoid unjust discrimination if not permitted to make uniform rates? A shipper shipping by one line at a given rate is unjustly discriminated against if another carrier transports like kind of property for another shipper between the same points at a less rate. I have always assumed that if the antitrust law was intended to prohibit the establishing of agreed and uniform rates I would assume the responsibility of violating it, believing that no penalty would be inflicted for such violation so long as rates not uniform would unquestionably violate another statute.

In this connection the following extract from a speech of Senator Platt, in the United States Senate, on January 5, 1887, in discussing the then pending act to regulate commerce, is interesting:

Indeed, the whole bill compels agreements between competing roads for the making of rates. The section does not prohibit a hard and fast agreement between railroads to maintain rates. Indeed, it almost compels it. It does not propose to interfere with any other means which railroads may adopt which are inducements to the railroads themselves to maintain rates.

Evidently, what is wanted is that the railroads shall continue rate wars, each trying to make a lower rate than the other. This can not be done if unjust discrimination is prohibited.

When the right or feasibility of the Government to fix the rates of rail interstate carriers is questioned we are told that railway corporations have a dual existence; that they exercise the powers of eminent domain, or may do so; that they may take the property of others without their consent, paying therefor compensation fixed by tribunals created to protect the interests of the party whose property is taken, and that this gives the people, through their representatives, the power to fix the remuneration they may receive for services rendered, regardless of the terms fixed in the original charters or the conditions which the individuals understood to exist when they furnished the capital, i. e., invested in the stock or bonds of the corporations. So promptly and so confidently and persistently is the term "eminent domain" vociferated that it has an appalling, paralyzing effect, and ends the discussion.

I have had much experience, in a practical way and by observation, with the exercise of eminent domain by railway carriers. In 1850 there existed a number of communities between those of Louisville, Ky., and Nashville, Tenn. Their transportation facilities were limited to animal power, except the cities of Louisville, Bowling Green, and Nashville, which were located on navigable rivers, affording intermittent transportation facilities for a part of the year. These com-

ing agricultural products. These roads have in the main been constructed in a difficult country, so as to provide facilities for the mining and shipping of ore, iron, coal, etc., with the least possible expense to the shipper, and in nearly all cases under arrangements with shippers to open mines simultaneously with the construction of the road. Similar arrangements have been made for the manufacture and marketing of forest products. The company has in numerous instances loaned capital or obtained it by loaning credit to aid patrons in establishing coal mines, furnace plants, steel plants, rolling-mill plants, plants for the manufacture of forest products, etc. Necessarily the rates have been adjusted so as to permit of the marketing of the products. Had this not been done the investment of the company in railways and of others in mines, etc., would have been lost. A similar policy has been pursued in Kentucky, Virginia, Tennessee, and Georgia. I have reason to believe that a similar policy is pursued by other corporations, "servants of the people."

There does not seem to be any necessity for interference by the Government with such beneficial arrangements, unless it be for the protection of the carriers. While the carriers are undoubtedly influenced by selfish motives, i. e., the desire to increase their revenues by increasing traffic, they are liable to imposition as a result of bureaucratic management. Their manager may, after long service, have acquired the confidence of the owners to such an extent that he is largely permitted to do as he deems best, or make important transactions without much effective supervision, and the shrewd fellows who are in the business of buying cheap and selling dear, trying to get what the other fellow has, may, by misrepresentation, flattery, etc., induce the representative of the owners of a railway to do unwise things—another instance in which the railways may be worsted.

The representatives of the railways, like others soliciting patronage, must, in addition to making reasonable rates, treat patrons with consideration. All patrons look alike to representatives of the transportation lines. Some who look like patrons may not be such, but they may become patrons. Hats off. What can I do for you; and you?

The present agitation has been largely prompted and promoted by a department of the Government, aided by persons who gain a livelihood by agitation—by striving to create friction between the carriers and their patrons—in doing which they have not hesitated, in some instances ignorantly, to disseminate erroneous information. Many, perhaps most, of the petitions presented or filed before the Congressional committees are fakes—do not truthfully represent the views of the individuals constituting the numerous associations or clubs. Is it not monstrous, shameful, that legislation that may, if enacted, derange, disturb, and destroy the commercial and industrial relations of the entire country, should be based upon false information disseminated by a department of the Government, aided and promoted by agitators who gain a livelihood by trying to stir up strife between a prosperous and contented people and the most important and useful utilities of the country, without which a large part of the territory within the United States would still be a wilderness?

The people have the power to do what they will, subject to the limitations of the Constitution. They have changed and may change the Constitution. The State constitutions are not infrequently changed.

As a people they are honest, believing in and sustaining rights of property. At present they do not want to acquire the railroads, and do not really want to take the property of railroad companies without due compensation, but many of them are inert. While they would not actively favor confiscation of the property of the railroads, they do not care to actively exert themselves to prevent it, feeling that the corporations, who they have been taught to believe are all powerful, can protect themselves. Necessarily, they are largely influenced by leaders, and such leaders are assuming grave responsibilities in their endeavors to debauch public sentiment by tempting them with the possibility of confiscating the enormous wealth invested in rail transportation lines. It would be much better, much less demoralizing, to adopt the honest socialistic view that the Government should purchase the property of the railroad companies at a fair valuation.

Seeing the tendency, I have for years past advised the owners of railways to, if possible, sell to the Government. Under existing conditions, it seems to me that the popular leaders, catering to certain elements, can without great difficulty combine those who "believe in the power of legislation to work miracles in bringing prosperity and bettering social conditions. \* \* \* Those who see a danger in aggregate wealth, the opponents of trusts and combinations, the Populists \* \* \* the advocates of Federal control of railways and telegraphs, and those who think the Government should \* \* \* organize postal savings banks \* \* \* universal old age pensions, and in insurance to compensate for loss of health or employment with the taxes for creating such funds laid on the incomes of the wealthy."

I now ask permission to file an analysis of the Esch-Townsend bill, which has been prepared by Hon. Walker D. Hines, who was for some years vice-president of the Louisville and Nashville Railroad Company, and who, in addition to possessing unusual legal attainments, is an expert on the subject of transportation, and especially upon the regulation of railway transportation by the act to regulate commerce. I think this analysis should be read and carefully considered by all who are interested in this proposed legislation.

Senator FORAKER. I have read it.

The CHAIRMAN. So have I.

### *Analysis of H. R. 18588.*

[By Hon. Walker D. Hines.]

#### COMPLAINT CAN BE INSTITUTED BY ANYONE, WHETHER INTERESTED OR NOT.

House bill 18588, which has been favorably reported by a majority of the Committee on Interstate and Foreign Commerce, provides that the Interstate Commerce Commission may make rates, practices, and regulations upon complaint duly made under section 13 of the interstate commerce act. That section permits complaints to be made by any person, firm, corporation, or association, or any mercantile, agricultural, or manufacturing society, or any body politic or municipal organization, or by any railroad commissioner or commission of any

State or Territory, and also permits the Interstate Commerce Commission itself to institute proceedings on its own motion with the same effect as though complaint had been made; and the section further provides in effect that no complaint shall be dismissed because the complainant has no interest in the controversy. Thus the provision in the pending bill for action upon complaint is meaningless, for any person or organization, with or without interest, can complain, and the Commission itself can initiate complaints. Under this bill, whenever the Commission wants to change any rates, regulations, or practices it can and will undoubtedly do so.

#### CONFERS GENERAL RATE-MAKING POWER.

The pending bill speaks of "rate, regulation, or practice" in the singular, but no sensible person will contend that under that provision the Commission will be restricted to action upon a single rate, regulation, or practice in a given proceeding. Section 13 of the original act does not restrict complaints to a single rate, and under the pending bill the Commission can and will deal with and change at its pleasure all the rates, regulations, and practices that may be complained of or that may be necessarily involved in the complaint. Indeed, the well-known dependence of rates will make it absolutely necessary for the Commission to deal simultaneously with vast numbers of rates under the proposed rate-making power. But even if the Commission should attempt to confine itself to a single rate in a single proceeding, the practical result would be a general remaking of rates. If the Commission should change the rate from Chicago to New York a corresponding change would have to be made, whether the Commission ordered it or not, on all the eastbound traffic between the Mississippi River and the Atlantic seaboard. If the Commission should change the rate from Cincinnati to Atlanta, corresponding changes would have to be made, whether the Commission ordered them or not, on all the rates from points on and north and west of the Ohio and Mississippi rivers, and from the Eastern seaboard cities and the Virginia cities, to all the Southeastern States. The use, therefore, in the pending bill of the term "complaint" and the employment of the singular instead of the plural in referring to "rate, regulation, or practice" are without any practical effect, and that bill will give the Commission the general rate-making power to whatever extent the Commission seeks to exercise it. So the provision as to "full hearing" is of no practical effect. No commission under any grant of rate-making power would undertake to change rates without investigation and hearing of the railroads interested, but the extent of the hearing is absolutely within the discretion of the Commission.

#### ORDER SELF-EXECUTING.

The proposed bill provides that all rates, regulations, and practices made by the Commission shall be self-executing, becoming effective thirty days after notice from the Commission, giving any party directly affected the right to have the court of transportation review the lawfulness, justness, and reasonableness of the rates, practices, and regulations so made. For practical purposes this is simply the judicial

review which, by force of the Federal Constitution, may always be had as to the reasonableness of rates fixed by any rate-making commission. The fact that the court is called a court of transportation does not increase the extent or the effectiveness of the judicial review provided.

#### COULD BE NO MORE DRASTIC LEGISLATION.

The consequence is that the bill now under consideration gives the Commission the general rate-making power just as fully and for practical purposes just as free from judicial review as it is possible to imagine. It is difficult, therefore, to understand what is meant by those who assert that this is "moderate" regulation of the railroads, and that it must be adopted to prevent more "drastic" regulation. The fact is that it would be impossible for Congress to enact legislation which would be more drastic in theory, and in practice the extent to which this legislation will be drastic will depend absolutely on the disposition of the particular individuals who for the time being constitute the Commission, subject only to such judicial review as exists by virtue of the Constitution and which could not be legislated out of existence. In point of fact, the only thing more radical than this bill which could be enacted would be to provide for Government ownership of the railroads. That will be the only radical step remaining to be taken after the passage of this bill, and doubtless the owners of the railroads would, so far as their pecuniary interest in the railroads is concerned, welcome Government ownership with the resulting substitution of Government securities in return for their present railroad holdings at a fair valuation in place of continuing to hold their property subject to the self-executing regulations of the Interstate Commerce Commission taking effect prior to any judicial review.

#### NO SUCH POWER ORIGINALLY INTENDED TO BE CONFERRED BY CONGRESS.

The claim that any such power was originally intended to be vested in the Commission, or was universally supposed to exist, or was acquiesced in for ten years or any other time, is absolutely incorrect, and yet the disposition to take the step now proposed seems to grow largely out of the idea that it is simply giving effect to what Congress had already deliberately agreed to do when it passed the original interstate commerce act. That such an error could be responsible for such a step is convincing proof of the difficulty of getting people to resort to the actual fact for the correction of vague and erroneous impressions. The report of the Senate select committee in 1886, and the repeated declarations of Senators and Representatives in the course of the debates, show beyond the possibility of dispute that Congress not only did not intend to give the Commission any rate-making power, but deliberately and positively refrained from doing so on the distinct ground that it would be impracticable and detrimental to the interests of the public. There is not a word in the interstate commerce act suggesting the idea that the rate-making power was intended to be conferred, but everything in the act shows that such was not the

intention, and this has been the uniform declaration of the courts on the subject.

No fair-minded man can read the decision of the Supreme Court of the United States in the maximum rate case in 1897 without appreciating that the claim that Congress intended to give the Commission the rate-making power is absolutely unfounded; nor was there any general acquiescence in this assumption of power by the Commission. Year by year, from the time the Commission was established, we find its assumption of this power was questioned by the courts and by the railroads, and at first by the Commission itself. And the Commission itself admitted in 1892 that some of the railroads continued to dispute its authority to exercise the power. The denial of the power was asserted in litigation as early as 1891, was strongly pressed in litigation in 1893, and was decided adversely by the Supreme Court in 1896, in the first case involving the question which reached that court. It is difficult to conceive how such a departure in legislation can be given such an impetus on the basis of such an absolutely unfounded and erroneous assumption as that Congress originally intended to give the Commission the rate-making power, or that its exercise of that power was universally acquiesced in for ten years, or any length of time.

#### WHY THE ORIGINAL ACT REFUSED TO MAKE THE ORDER SELF-EXECUTING.

Not only is this argument of the supposed original intention of Congress and the supposed general acquiescence therein made the basis for giving the Commission the rate-making power, but it is also being made the basis for a number of additional incidents and provisions which were never even dreamed of when the interstate-commerce act was passed, and which the Commission never pretended were contemplated and never attempted to effectuate. The present plan is to make the Commission's orders self-executing without first being examined or enforced by any judicial tribunal. This theory was fully considered and distinctly rejected when the interstate-commerce act was passed on the ground that the Commission was not of a judicial character. The present bill does not propose to relieve the Commission of its various functions which will always deprive any such tribunal of anything approaching a judicial attitude. The Commission is still left with the duty of detecting and prosecuting all violations by the railroads of the laws against rebates and the laws requiring the proper use of safety appliances; it is still charged with the duty of being the practical representative and champion of the shippers in their controversies with the railroads; it is still left the duty of scrutinizing railroad accidents and seeking to ascertain and fix the responsibility therefor, and, in general, of supervising railroads for the purpose of making them comply with all the existing laws, and it still continues to be charged with the duty of studying railroad affairs to see what additional legislation against them in the interest of the public should be provided.

That such a tribunal with such duties is likely to have the judicial temperament is impossible. The Attorney-General could better be made the chief justice of the proposed court of transportation while continuing to exercise his present functions than to give the Commission with its present functions the power to make self-executing orders

which are to become effective without any really judiciary tribunal first considering them. Certainly no such theory as this was ever supposed to have been adopted by Congress or was ever universally, or at all, acquiesced in, and yet the same argument of alleged intention and acquiescence is being used to sweep this innovation into operation along with the other extensive features of the present bill. Whether such a combination of utterly incompatible functions clearly belonging to distinct departments of the Government can be vested in a single tribunal, is an entirely novel question under the Federal Constitution which must undoubtedly be raised for decision if this bill is passed, although on account of the comparatively small importance of the State railroad commissions a similar question seems never to have been raised as to any of them.

#### JOINT RATES.

There was never any pretense that the original interstate-commerce act gave the Commission the power to establish joint rates against the will and judgment of the carriers interested, or, in other words, to force carriers into involuntary partnerships, and the constitutionality of any such provision is open to the gravest doubt, yet this innovation seems almost to be incorporated in the present bill with the idea of being swept into existence along with the others on the unfounded plea that the whole measure is simply giving effect to what was supposed to have been enacted many years ago.

#### RELATIVE ADVANTAGE OF COMPETING LOCALITIES.

The most that was ever pretended, even by the Interstate Commerce Commission under the original act, was the power to prescribe a maximum rate, and the Commission expressly decided it had no power to prescribe a minimum rate, yet the power conferred by the present bill is the power to prescribe a specific rate which can neither be increased nor reduced without the consent of the Commission. This will clearly enable the Commission to put into effect its theories about what should be the relative advantages of competing localities and which will introduce a sectional, and possibly political, phase into the administration of the interstate-commerce act which was absolutely removed from all the theories of regulation which Congress seriously considered when the interstate-commerce act was passed. Much of the support for the present measure comes from parties interested in particular localities who hope to profit by the Commission being able to give effect to its theories as to the comparative commercial advantages of competing communities, although everyone must, on reflection, appreciate that every time the Commission helps one community by such an exercise of its power it correspondingly hurts another, and also puts a check upon the most wholesome competition which has ever existed in this country—that is, the competition between rival localities or rival sources of production for the markets of the country.



## TRAFFIC-MANAGER RATES ONCE ORDERED CAN BE CHANGED ONLY BY COMMISSION.

Moreover, this feature of the bill constitutes the Commission the perpetual traffic manager of every rate it assumes to fix, because when once fixed it becomes the specific rate which must thereafter be charged until the Commission authorizes a change. Consequently, every rate the Commission fixes will add to its duties and difficulties, because for all time thereafter it will have to supervise that rate, and no change can be made to meet new conditions or to correct inequitable results which experience may demonstrate without being investigated and authorized by the Commission.

## DOES PROPOSED ACT FACILITATE DECISIONS?

The majority of the committee reports that the present Commission has failed to perform its present work in a reasonable time, and yet it proposes to confer upon the Commission the most stupendous additional powers and duties, and expects these new herculean tasks to be performed in a reasonable time, simply because it adds two members to the Commission, making it necessary for a body of seven to act on all the changes which the commerce of the country may demand in the specific rates which the Commission may fix, instead of having those matters disposed of by a body of five. The idea that any tribunal, whether five or seven, or any other number, should have to sit in judgment upon the changes necessary to be made in rates in this country for the development of commerce, was never at any time in the mind of Congress or in the mind of the people, but this will be the precise situation if the present bill is enacted with respect to each rate and rate adjustment that the Commission fixes.

The power and work of any State railroad commission in existence are simply infinitesimal compared with the power and work of the Interstate Commerce Commission under the proposed bill. No state in the Union has as much as 6 per cent of the total railroad mileage of about 212,000 miles. On an average, not 25 per cent of the traffic of any one State is subject to the control of the State commission. As a matter of fact, all the really important controversies between competing localities (which will furnish by all odds the most important and difficult rate-making propositions) grow almost without exception out of interstate rate adjustments with which State commissions have nothing to do. The Commission, through Judge Cooley as chairman, declared many years ago that the adjustment of the claims of rival communities in any single State would be an enormous task, but that in the Union as a whole it would be superhuman. Therefore, the country is utterly without any precedent to support the idea that a commission of seven or any other number of men can make, with the necessary wisdom and promptness, the changes which commercial conditions will from time to time demand in the specific rates and rate adjustments which the Commission may fix under the pending bill, even if we assume that the Commission's original orders fixing the respective rates and rate adjustments are in themselves wise and proper.

## POWERS CONFERRED CONTROL ALL REGULATIONS AND PRACTICES AFFECTING TRANSPORTATION.

The original interstate-commerce act deals primarily with charges for transportation and regulations affecting those charges. But the present bill increases its assortment of radical innovations by extending the power of the Commission to all regulations and practices whatsoever "affecting the transportation of persons or property." Under this bill the regulations and practices which the Commission may fix need not at all relate to or affect the charges for transportation, but the Commission's power will extend to all regulations and practices which affect the transportation itself. It is impossible to determine in advance of judicial construction how far this innovation goes and how much of the practical side of railroad transportation is thus put in the power of the Commission. Practically everything a railroad does affects the transportation of persons or property, and apparently the Commission is to be given the power to fix all rules and practices of the company which do affect such transportation, whether they relate to rates and charges or not. It is certainly carrying the argument of supposed original intention of Congress and supposed acquiescence far beyond the limit of reason to put this innovation under its protection and to rush through Congress the provision that the Commission may prescribe all practices and regulations affecting transportation in this country—a matter which has never been seriously presented to Congress and which appears to have received no independent consideration.

## REBATES.

The fact is that this bill is simply an aggregation of extensive innovations, and it is the outgrowth of a remarkable series of misconceptions. One of the most important is that in some way this bill is going to aid in the prevention of secret rebates, whereas not a single provision of the measure will give the slightest assistance in that direction or in the remotest degree help to insure that the highways of commerce shall be kept open to all on equal terms. The present laws, if fully enforced, will stop all rebates, and there is absolutely nothing in this bill to strengthen the present laws in that respect or to facilitate their enforcement. On the contrary, this bill is going to confer such tremendous and really impracticable powers upon the Commission as to make it more difficult than ever for the Commission to give the necessary time and attention to the paramount duty of discovering and preventing secret rebates. Moreover, this bill, by authorizing the Commission to prescribe specific rates, which can not be departed from without application to the Commission, is going to encourage secret rebates, because, when commercial conditions imperatively necessitate a speedy reduction in specific rates established by the Commission, it will be impossible to get the necessary consideration and action by the Commission in time to meet the exigencies of the occasion, and this condition will constitute an almost overwhelming temptation to the railroads to violate the mandate of the law that the rate fixed by the Commission must be observed until changed by the Commission and to make secret reductions from such rates for the purpose of meeting the immediate necessities of commerce.

## TERMINAL TRACKS—PRIVATE REFRIGERATOR CARS.

Aside from the evil of rebates, the discontent about allowances to terminal tracks and about the practices of private refrigerator car lines has constituted the most prominent basis of agitation for amendment of the interstate-commerce act, and yet there is not a word in the present bill which seeks to define any more clearly the relation of the Commission or of the interstate-commerce act to these terminal tracks or to the private refrigerator car lines, so that one of the principal sources of agitation remains absolutely unsatisfied and is still left for the consideration of the courts without any assistance from Congress.

## PRESENT LAW HAS BEEN CONSTRUED—PROPOSED ACT MUST BE SUBJECT OF EXTENDED LITIGATION.

The status of the present act to regulate commerce has now been pretty thoroughly established by the courts, and what can be done under it is fairly well understood. The claim that as so construed it is unavailing is utterly without support, and though the supporters of the new legislation have been repeatedly urged to point to instances of failure of the present law where the Commission has acted along the lines prescribed by the courts, they have without exception failed to do so. The present bill simply amounts to throwing aside the reasonably well-defined system which now exists and which has not been shown to be insufficient, and to substitute for it a series of the most remarkable innovations, many and perhaps all of which will call for judicial construction, and to put the whole question of regulating interstate commerce into uncertainty for another series of years pending final judicial determination of the status of the new legislation; and all this is proposed without any demonstration of evils which the present act can not remedy, and certainly without any effort to increase the effectiveness of the law with respect to the particular evils which have excited the greatest attention.

## PRESENT EVILS NOT ANALYZED OR REMEDIES PROVIDED.

The facts seem to demonstrate conclusively that the present evils have not been sufficiently analyzed, and the effectiveness of the present law has not been adequately considered. Certainly the relation of the proposed bill to the existing evils is most remote, and there is absolutely no excuse for many of the innovations which are sought to be incorporated in the law. The railroads and the commerce of the country have no more practical protection under this bill than they would have under any other form of drastic railroad legislation which could be enacted. The entire subject is too large, the interests involved from the public as well as the railroad standpoint are too great, and the details to be considered are too numerous and complex to make it just or proper that a bill so crude and uncertain as the one now proposed should receive the sanction and the impetus which would come from its passage from either House of Congress.

To borrow a phrase from one of our most accomplished statesmen, the agitation for the amendment of the interstate commerce act is

simply a "fortuitous concurrence of unrelated prejudices;" and the bill now proposed does not remove the various causes of those prejudices, but launches the country on an absolutely untried and uncertain system of commercial regulation without time to consider what is really needed and what the bill really means, and yet upon a system which is fraught with the gravest menace to the railroads and the commerce of the country.

WALKER D. HINES.

LOUISVILLE, KY., *February 5, 1905.*

MR. SMITH. I now ask permission—and this is my most important request—that Col. Henry L. Stone, of Kentucky, address you. Colonel Stone has been a soldier, is a lawyer, and is general counsel of the Louisville and Nashville Railroad Company.

Senator CULLOM. Is this all you want to say, Mr. Smith?

MR. SMITH. Yes, sir; that is all I want to say myself.

#### STATEMENT OF COL. HENRY L. STONE, GENERAL COUNSEL OF THE LOUISVILLE AND NASHVILLE RAILROAD COMPANY.

Colonel STONE. Mr. Chairman, in the brief time that will likely be allotted to me this morning I should be glad at least to make a start upon one question and be allowed to finish it if the short time the committee is to sit will permit.

Senator CULLOM. Upon some subject pertaining to this bill? The general subject we have had discussed until we are almost worn out. Please address yourself to this bill; let us see what there is in it.

Colonel STONE. I want to take up one question which seems to have been presented by Senator Carmack at the last session of the committee, the constitutionality of this bill, whether or not the Congress can delegate power to a commission to perform a legislative act.

Senator CULLOM. Please address yourself to that.

Colonel STONE. The power to prescribe rates for transportation is a legislative power. The Constitution provides that—

The Congress shall have power to regulate commerce with foreign nations, and among the several States, and among the Indian tribes.

Also that—

All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

This legislative power that is exercised is frequently called, in the decisions of the courts, an administrative power, but that it is a legislative power has been settled by the Supreme Court of the United States. In the case of *Field v. Clark* (143 U. S., 692) the question of the power of Congress to delegate legislative power was before the court. In considering the constitutionality of the act of October 1, 1890, containing certain reciprocity features, allowing the President to suspend the operation of that act, the act was upheld simply because the court held that the act, in so far as it conferred this power upon the President, was administrative; that the terms of the act as to tariff and regulations were prescribed by Congress; that power was only vested in the President to suspend the operation of the act by proc-

lamation after the ascertainment of certain facts. In that case Mr. Justice Harlan, delivering the opinion of the court, said:

That Congress can not delegate legislative power to the President is a principle universally recognized as vital to the integrity and maintenance of the system of government ordained by the Constitution.

In that case Mr. Justice Lamar, in a separate opinion (in which Mr. Chief Justice Fuller joined), dissented from the proposition maintained in the opinion of the majority of the court that the reciprocity provision of said act was valid and constitutional legislation, but concurred in the affirmance of the judgment of the court below. On this point he states (*Ibid.*, 697):

We think that this particular provision is repugnant to the first section of the first article of the Constitution of the United States, which provides that "all legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives." That no part of this legislative power can be delegated by Congress to any other department of the Government, executive or judicial, is an axiom in constitutional law, and is universally recognized as a principle essential to the integrity and maintenance of the system of government ordained by the Constitution. The legislative power must remain in the organ where it is lodged by that instrument.

Now, is this a legislative power?

Senator FORAKER. I think we are agreed about that. The question is now, if you are going to apply that decision, whether or not delegating this power to a commission is the same as delegating it to a coordinate branch of the Government, the executive or the judicial. In other words, is not this Commission a part of the legislative department of the Government? Does it not belong to the legislative department instead of to either of the other departments?

Colonel STONE. From a constitutional standpoint I think there is no difference. If the power can not be delegated to a coordinate branch of the Government it can not be delegated to a subordinate commission or body.

Senator FORAKER. I do not know but you are right. I only call your attention to it in order to get your views.

Colonel STONE. I desire to call attention to some phases of the Maximum Rate Case (167 U. S.) suggesting this question of the power to prescribe rates. In the course of the opinion, delivered by Mr. Justice Brewer, it is said (*Ibid.*, 499):

It is one thing to inquire whether the rates which have been charged and collected are reasonable—that is a judicial act; but an entirely different thing to prescribe rates which shall be charged in the future—that is a legislative act.

Further on the extent of the powers of the Interstate Commerce Commission are defined as follows (*Ibid.*, 501):

The power given is the power to execute and enforce, not to legislate. The power given is partly judicial, partly executive and administrative, but not legislative.

The nature of the power conferred is described as follows (*Ibid.*, 505):

The power to prescribe a tariff of rates for carriage by a common carrier is a legislative and not an administrative or judicial function, and, having respect to the large amount of property invested in railroads, the various companies engaged therein, the thousands of miles of road, and the millions of tons of freight carried, the varying and diverse conditions attaching to such carriage, is a power of supreme delicacy and importance.

Finally the court said (*Ibid.*, 511):

Our conclusion then is that Congress has not conferred upon the Commission the legislative power of prescribing rates, either maximum or minimum or absolute. As it did not give the express power to the Commission, it did not intend to secure the same result indirectly by empowering that tribunal to determine what in reference to the past was reasonable and just, whether as maximum, minimum, or absolute, and then enable it to obtain from the courts a peremptory order that in the future the railroad companies should follow the rates thus determined to have been in the past reasonable and just.

In *Interstate Commerce Commission v. Alabama Midland Railway* (168 U. S., 161, 162), speaking of the assignments of error complaining of the action of the lower court in not rendering a decree for the enforcement of those portions of the order of the Interstate Commerce Commission which prescribed rates to be thereafter charged by the defendant railroad companies for the transportation of goods, the court said:

Discussion of those assignments is rendered unnecessary by the recent decisions of this court, wherein it has been held, after elaborate argument, that Congress has not conferred upon the Interstate Commerce Commission the legislative power of prescribing rates, either maximum or minimum or absolute; and that, as it did not give the express power to the Commission, it did not intend to secure the same result indirectly by empowering that tribunal, after having determined what in reference to the past were reasonable and just rates, to obtain from the courts a peremptory order that in the future the railroad companies should follow the rates thus determined to have been in the past reasonable and just.

In the speech of Mr. Hepburn in the House, in advocacy of this bill, he said:

Now, we do not propose to give the Commission all the power of the Congress, but we give them the power to establish a reasonable rate. When? When they have ascertained that the present rate is unreasonable. That imposes two classes of duties upon them—the judicial duty or function of determining whether or no a given rate is unreasonable; the legislative function of, when they have so found, saying what shall be a reasonable rate, so that there may be presented to the court, not only a question of whether they have wisely performed this latter duty, but there is the other jurisdictional question, that may be raised in any of the courts, whether they have the right to act at all in the matter of fixing a rate.

Much has been said concerning a certain clause in the opinion of Mr. Justice Brewer in the *Maximum Rate* case, and that is this:

The present inquiry is limited to the question as to what it (the Congress) determined should be done with reference to the matter of rates. There were three obvious and dissimilar courses open for consideration. Congress might itself prescribe the rates; or it might commit to some subordinate tribunal this duty; or it might leave with the companies the right to fix rates, subject to regulations and restrictions, as well as to the rule which is as old as the existence of common carriers, to wit, that rates must be reasonable. There is nothing in the act fixing rates. (167 U. S., 494.)

The question before the court in that case was simply what Congress had undertaken to do by the act of 1887 to regulate commerce; it was not a question as to what Congress could do constitutionally, but what it had done. They said in that case, emphatically and expressly, that the power had not been conferred. They did not pass upon the question, because it was unnecessary, whether the power existed in Congress to confer upon the Commission the power to make rates. So that much of the opinion is dictum—I say it with all respect—because the point decided was as to what Congress had done, not what it could do. I know of no decision of the Supreme Court saying expressly that this power can be conferred constitutionally by Congress. There is no precedent, therefore, in the way which holds the contrary.

Senator NEWLANDS. How is it with the State courts?

Colonel STONE. I was intending to speak of the State courts. Many of the State courts have held that under their State constitutions and statutes power can be conferred upon a commission to prescribe rates. It will be found, however, that in many State constitutions the legislature is given the express power to pass such laws, vesting not only administrative but legislative and judicial powers in a commission. It is so in Virginia, as admitted in the statement of Judge Crump recently made before the House committee. They also have such a provision in the constitutions of Georgia, Florida, and some of the other States.

But, however that may be, the Federal courts are bound by the construction given by the highest court to the State constitutions and the State laws. It makes no sort of difference then whether State constitutions can be found to the effect that such power can be conferred by the legislature.

Now, if time permits, I want to speak briefly upon this particular bill that is before the committee.

In the first place, this bill undertakes to grant the power which I have questioned—to give jurisdiction to this Commission to fix a rate upon the complaint that is provided for in section 13 of the original act. That complaint may be preferred by anyone, whether interested or not; by any sort of association, individual, or corporation, and it may even be made by the Commission itself, because it is provided in that section of the original act that a complaint instituted by the Commission as the result of its inquiry shall have the same force and effect as if it had been a formal complaint made by anyone else.

This power proposed by the Esch-Townsend bill to be conferred, while ostensibly relating to a particular rate upon one commodity or of one company, really confers the rate-making power upon the Commission for all companies and all commodities. In other words, it grants a general rate-making power over any and all lines of transportation.

Senator CULLOM. Have you the bill before you?

Colonel STONE. Yes, sir.

Senator CULLOM. Read that provision, if you will, and let us see what it says. I do not remember it myself.

Colonel STONE. Section 1 provides—

That whenever upon complaint duly made under section thirteen of the act to regulate commerce the Interstate Commerce Commission shall, after full hearing, make any finding or ruling, declaring any existing rate for the transportation of persons or property, or any regulation or practice whatsoever affecting the transportation of persons or property to be unreasonable or unjustly discriminatory, the Commission shall have power, and it shall be its duty to declare and order what shall be a just and reasonable rate, practice, or regulation to be charged, imposed, or followed in the future in place of that found to be unreasonable or unjustly discriminatory.

The point I make is that it is not confined to any particular rate. The complaint may be general in its character, embracing a number of companies and a number of commodities. And when the Commission shall have decided that a rate is unreasonable the way is open, according to the provisions of this bill, for it to prescribe rates in lieu of those adjudged to be unjust or unreasonable.

Senator CARMACK. That is section 13?

Colonel STONE. Section 13 of the original act.

Senator CARMACK. What does it provide?

Senator FORAKER. That the Commission shall investigate upon complaint by anybody.

Colonel STONE. By anybody, whether interested or not. Furthermore, this bill provides what may be done after full hearing, but there is no notice expressly provided for to parties affected until the order has been made and then the order becomes effective after thirty days' notice to the parties affected. There is no review until after the order has become self-executed. This review provided in the Esch-Townsend bill is nothing more than a right that already exists under the Federal Constitution to attack a rate that is unjust, that amounts to confiscation, or that deprives one of his property without due process of law.

The committee adjourned.

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SENATE INTERSTATE COMMERCE COMMITTEE.  
*Monday, February 20, 1905.*

**STATEMENT OF COL. HENRY L. STONE—Continued.**

The CHAIRMAN. Colonel Stone, you may proceed.

Colonel STONE. Mr. Chairman and Senators, assuming, for the sake of the argument, that this bill, if enacted by Congress, has conferred in a constitutional manner the power to legislate upon railroad rates—which, to say the least, is a doubtful grant of power on the part of Congress—I want to present for the consideration of the committee some of the objections to the provisions of this particular bill referred to the committee, known as the Esch-Townsend bill, that has passed the House.

I have already stated that the powers granted are of a general character; that they are not limited to isolated cases that may be taken up, upon complaint, against one particular company; but that in connection with section 13 of the original act, where it is provided that complaints may be made by associations, societies, individuals, or corporations whether they are interested or not in the existing rate, it will be easy enough for a complaint to be framed that will be far-reaching in its character—not only affecting one railroad, but many railroads; not only affecting one rate, but many rates. No better illustration of that can be found than that, even under the limited powers of this Commission, when they assumed that the power of fixing rates for the future had been conferred upon them by the original act, they, as shown in the Maximum Rate case, reported in 167 U. S., undertook, upon certain traffic in the future between Chicago and Cincinnati in the North and various points in the South, to fix a maximum rate not only upon one railroad, but some 15 or 20 railroads interested in that traffic, and which decision it has been estimated affected 2,000 different rates between those points.

Senator DOLLIVER. Was your road a party to that suit?

Colonel STONE. Yes, sir: a very interested party.

Senator DOLLIVER. Some time during the course of your statement,



if you have time, I should like to have you point out what there was in the order of the Commission in that case that was in violation of the ordinary rules of commercial fair dealing between two sections of our country.

Colonel STONE. As to the fairness of the rate I am not prepared to enter upon that subject. They undertook to fix a maximum rate beyond which these railroads should not go.

Senator DOLLIVER. It appears that the associated railroads of the South were basing their charges upon a pooling arrangement thirty years old, one made before the city of Chicago became a manufacturing city, and the object of the Commission, it was understood, was to correct discriminations against manufactured products of the West trying to get into the southern market on terms of competition with New York, Boston, and other seaboard cities.

Colonel STONE. That may have been the object, and the rate may have been right and reasonable in itself; but I only referred to that instance by way of showing that if this Commission acted under an act of Congress in such a manner, affecting so many rates and so many railroads upon simply one complaint, when it did not have the power to fix future rates, there is no reason to expect that it will do less upon a complaint when it is expressly clothed with this power of legislating upon future rates.

Senator DOLLIVER. The complainants in that case were the commercial bodies of the cities of Cincinnati and Chicago, and they were obviously the parties directly in interest. They did not seek to disturb any rates except the ones they claimed discriminated adversely against them.

Colonel STONE. There is a good deal of complaint, as we discover from the newspapers now, concerning the shipment of grain from the Northwest, from Chicago, for instance, by way of the Illinois Central and other railroads to the Gulf ports, New Orleans, Mobile, and other points, at a less rate than for grain or other products of like character shipped to New York. The New York Produce Exchange has made complaint as affecting the lines from Chicago to New York, and asked that the rates be fixed so that New York will not be at a disadvantage. Upon that complaint, made by the New York Produce Exchange, the committee will see at once that the Commission will have a jurisdictional fact or foundation to act upon that will affect all the rates between Chicago and New York and between Chicago and the Gulf ports—affecting many railroads as well as many rates.

So when I contend that the power proposed by this bill to be granted is not merely against one company or one rate, but is a general power, I think I am sustained by the language of the bill as well as by the history of the acts of the Commission heretofore.

But I want to call the committee's attention to another objection to the bill, and that is the provision that the order shall take effect within thirty days, of its own force; that before any court has had an opportunity to investigate the facts, to ascertain whether the rates prescribed for the future are reasonable or not, after the existing rate has been condemned the final order fixing a rate for the future upon the same commodities goes into effect. A great deal has been said about restraining orders and other processes that may be issued, *but there is no direct express provision allowing the court of trans-*

portation to suspend or supercede the order made by the Commission. It is only a discretionary matter at most with the court of transportation, and in order to reach that result a bill in equity must be filed, addressed to the chancellor, and there is no provision that anything may be introduced before him, by way of affidavits or otherwise, to authorize him to issue a restraining order or preliminary injunction staying the final order of the Commission on the subject.

I venture to say that not in the judiciary system of any State of this Union is there a similar provision, that where an appeal is allowed or bill for review of an order there is not also allowed a suspension, a supersedeas, especially where sufficient bond is given to protect the parties interested. The appeal should be a direct one, without requiring the filing a bill in equity to impeach the reasonableness of an order of this kind. The appeal should be direct from the order of the Commission to the court of transportation, and if the parties affected, the railroad company concerned, desire to do so the privilege should be granted to supersede, with sufficient surety, the order of the Commission, so as to protect all parties interested in or affected by this new rate pending litigation in the court of transportation.

Senator FOSTER. Colonel Stone, in the event the decision went against the railroad, who would get the benefit of that bond?

Colonel STONE. I assume that the bond might be made for the use and benefit of all shippers affected adversely by the appeal. The companies might be required to keep an account of all the shipments pending litigation, so that there would be no trouble to ascertain who the shippers were and the amount of the difference between the rate as it formerly existed and the new rate, provided the new rate was sustained by the court of transportation.

Senator FOSTER. Who would suffer—the shipper or the consumer?

Colonel STONE. If the existing rate was one that the court should finally hold had been reasonable the railroad company would suffer the loss sustained if it did not have the right to suspend or supersede.

Senator FOSTER. I mean in the event the railroad lost the suit and in case the bond became exigible by reason of the decision against the road, who would be the parties to institute proceedings upon that bond, or who would be the beneficiaries of the bond?

Colonel STONE. Primarily the shipper would be the beneficiary, though it might be the fact that the consumers or parties who purchased the commodities shipped would be.

Senator DOLLIVER. There would be no way to distribute the proceeds of the bond to the public?

Colonel STONE. Not in that case.

Senator NEWLANDS. The contention is, Colonel Stone, that in such a case the shipper who fastens this additional cost upon his customers or upon the general public, if he gets the difference between the old rate and the new, having already been compensated, yet receives additional compensation, whereas the people really injured get no indemnity.

Colonel STONE. That is true in a measure.

Senator NEWLANDS. Can you suggest any method that would give the indemnity to the persons who really suffered by reason of the exacted rate?

Colonel STONE. It would be very difficult, if not impossible, to protect the consumer in a case like that. But the consumer would

only pay according to the existing rate at last, and he ought not to ask or to expect more so long as there had not been a judicial determination of the unreasonableness of the rate. On the other hand, the railroad company would lose the difference between the existing rate and the rate fixed by the Commission pending litigation, without any relief whatever.

Senator NEWLANDS. How long a time ought such a litigation to consume?

Colonel STONE. That would depend very largely upon the volume of proof taken on each side. It might involve the earnings, disbursements, and operating expenses of a railroad company; it might go into very intricate questions; the proof might be lengthened considerably. So it is impossible to fix any definite time within which litigation of that character could be determined.

Senator NEWLANDS. But, judging from experience, I assume that some of these cases must take three or four years before they are determined; is not that so?

Colonel STONE. Such litigation has lasted that long.

Senator NEWLANDS. Is there any way you could suggest to bring such a case to a speedy determination, say within six months?

Colonel STONE. Under the existing law such litigation as arises may be expedited by the courts and be first heard in preference to other litigation.

Senator NEWLANDS. But is there no way, then, that you can suggest of doing justice to the great public as well as to the railroads? I can understand how it would be unjust to deprive a railroad of a revenue which was afterwards determined by the court to have been entirely proper; and, on the other hand, it would be very unjust to the public to have the railroad collecting an unreasonable rate for four or five years, a rate which the court finally determines to be an unreasonable one. What middle ground can you suggest that would be fair to both sides?

Colonel STONE. I am at a loss to state. But I want the Senator to consider this fact: That if a bond is given by a railroad company with sufficient surety to protect the shippers at least, the company is at once interested in shortening the litigation, in hastening the decision that shall be final, because the liability will be the sooner determined, and there will be less liability resting upon the company finally if the rate fixed by the Commission should be sustained.

Senator NEWLANDS. Is that so, that there is less liability? Does not the company simply restore what it had illegally collected? And if it illegally collects for two years, it restores simply what has been collected during that time, or if it has illegally collected for three years it simply restores what has been collected during that time, so I do not see that any additional loss is devolved upon the railroad company.

Colonel STONE. There has been no judicial determination of the question of the reasonableness of that rate, however, until the court of transportation passes upon it. The only determination of that question has been made by a nonjudicial body, and we do not think that litigation of this character should be put upon a different footing from other litigation.

Senator NEWLANDS. Would not the railroad be more apt to speed *the proceedings* in order to reach an early conclusion and would there

not be more likelihood of a speedy legal determination of the question if we should let the law stand as it is than if we should follow your suggestion?

Colonel STONE. I hardly think so, and certainly the parties would not be protected from injustice and loss so well.

But I want to pass to another subject.

This bill excludes any proof on appeal except that which has been brought before the Commission. I claim that that provision is unconstitutional, and many courts have so decided.

Senator DOLLIVER. Does it not permit newly discovered evidence to be adduced?

Colonel STONE. The provision is that only such proof can be used in the court of transportation on appeal as did not exist at the time of the hearing before the Commission or such as could not have been then known by the parties affected if they had been diligent.

Senator DOLLIVER. Is not that in substance the present law as regards newly discovered evidence?

Colonel STONE. That is confining this inquiry in the court of transportation to the proof already introduced by the parties. The Commission is a nonjudicial body, and may have made an erroneous ruling; not being even required to be composed of lawyers under the statutes, it may have excluded competent proof offered by the railroad companies, and so that would not be in the record. In the record, which is made a part of the proceedings on appeal and is filed with the court of transportation, competent testimony may have been thus excluded, and under the provisions of this bill the railroad company is confined to that proof which was allowed to be introduced before the Commission. In other words, I contend for the railroad company that the proceeding should be tried *de novo*, and that proof should be allowed in addition to that which had been offered before the Commission, if it be competent proof.

Senator DOLLIVER. Our object is to get a Commission that would act as a court would act between contending parties. Would it be fair to the Commission to permit the roads to let their presentation of evidence go by default, and rely upon a trial *de novo* in the court of appeals?

Colonel STONE. I think so.

Senator DOLLIVER. It does not strike me so.

Colonel STONE. The parties ought to be fully heard before the Commission, and if they have not been they ought to be allowed a full hearing in the court of transportation.

Senator DOLLIVER. I see no reason why the railroads should not present their whole case to the Commission.

Colonel STONE. It may be that they would.

Senator DOLLIVER. The Commission should not, of course, make orders or decisions upon an imperfect record or in the absence of a full presentation of the facts, and it seems to me that we ought to give the Commission's finding the dignity of at least having been based upon a full knowledge of the situation.

Colonel STONE. This bill provides for a judicial review. The court, however, must start in its investigation with the presumption that the rate for the future is reasonable. The courts have expressly decided that in all investigations of this kind, the court, when it comes to inquire into the reasonableness of the rate fixed by the Com-

mission, starts with the presumption that the rate is reasonable. That was decided in the recent case of the Minneapolis and St. Louis Railroad Company *v.* Minnesota. (186 U. S., 257.) The court in that case says:

The presumption is that the rates fixed by the Commission are reasonable, and the burden of proof is on the railroad companies to show the contrary. (Citing *Dow v. Beidelman*, 125 U. S., 680; *Chicago, etc., R. R. Co. v. Tompkins*, 176 U. S., 173.)

If the only proof that can be considered by the court of transportation is such as has been introduced before the Commission, then there is no proof allowable by the court of transportation to overcome this presumption of reasonableness. In other words, seven men may have decided the rate fixed for the future to be reasonable, and five judges are to pass upon the same proof as to whether the rate fixed is reasonable or not, starting with the presumption that it is; so that there is no way provided by which this *prima facie* reasonableness of the rate fixed can be overcome in the court of transportation.

Senator DOLLIVER. I should like to hear you a little more fully upon the rights of the railroad defendant, if it should not have presented its evidence in full and complete detail to the Commission which we are creating, so as to enable it to decide this matter.

Colonel STONE. In the first place there is no time fixed for what is called a full hearing in this bill. We have no limit prescribed. Much of the proof that would be competent upon a question of fact might be erroneously excluded by this nonjudicial body, and there would be no relief in the court of transportation for the railroad company if that court could not allow the proof to be introduced that was excluded before the Commission.

Senator DOLLIVER. Suppose an amendment should provide that the court of transportation, upon the state of affairs being presented to it, should direct the railway commission to take further testimony. That would cover the objection, would it not?

Colonel STONE. Yes; if that were allowed; but there is no provision that the court of transportation shall allow the proof that was not introduced before the Commission to be introduced before it.

Senator NEWLANDS. Do you understand that, under the bill, the court of transportation has to take the record which is presented to it?

Colonel STONE. The proof that was given before the Commission; yes.

Senator NEWLANDS. Suppose the court of transportation determines that an error of law has been committed in excluding certain evidence presented by the railroad. What would be the action of the court, then, under the Esch-Townsend bill, as you understand?

Colonel STONE. I understand that the court of transportation is powerless to allow further proof unless such proof was nonexistent at the previous hearing before the Commission or unless diligence could not have made it known at that time.

Senator NEWLANDS. Your contention is that if the court of transportation came to the conclusion that the Commission erred in excluding the testimony the court could not admit it?

Colonel STONE. Not if the provisions of this bill be literally enforced.

Senator FOSTER. Why could not the objection you have just stated

to the bill be obviated by providing that all evidence may be preserved by bills of exceptions, so that whatever was excluded by the Commission could be set forth, and in that way be brought before the court?

Colonel STONE. A provision of that kind might cover it.

Another provision of this bill allows the Commission to fix a new rate, not merely a maximum rate, but also a minimum rate. In other words, the new rate that is established, although it might be unreasonable, is yet the established and fixed rate. Even where there was competition between railroad companies and between localities, it is not in the power of the railroad company to reduce the rate, although that rate extended to all shippers of like commodities, without obtaining permission from the Commission to lower the rate.

Senator FOSTER. What is the provision of the bill you refer to?

Colonel STONE. This bill says that the rate fixed shall be a published rate, and in the original act the published rate can not be departed from, neither increased or decreased.

Senator DOLLIVER. Without notice.

Colonel STONE. Without notice. So that involves the obtaining of the consent of the Commission, delay, and all that friction. This would destroy competition if the Commission did not see fit to allow the rate to be lowered between companies as well as between localities. That would engender, in all probability, strife and contention between different companies and localities. Much of the support of this measure, from the investigation I have made of it, comes from rival communities or cities that want the same rate extended, not only by the same line of railroad to localities, but by all railroads running into each city or community. We hear a great deal about wanting competition, and yet this bill prevents it effectually if enacted and enforced.

The Commission is given power and control not only over the charges upon transportation of persons and property, but is given full power and authority over all practices and all regulations that affect the transportation of persons or property, whether remotely or directly. The number of cars, schedules of trains, terminal facilities, places of stopping all trains, and a thousand and one things enter into this broad provision, which allows this Commission to deal with practices and regulations which may affect, directly or indirectly, the transportation of persons or property. This is a new power not even mentioned in the original act, and is certainly an extraordinary one with which to clothe this Commission. It would take away from those in charge of them now, in effect, the management and conduct of the railroads. No practice that might meet the condemnation of this Commission could be enforced by the railroad companies under the provisions of this bill.

Senator NEWLANDS. Colonel Stone, going back to the matter we were discussing a few minutes ago, I find in section 12 of the Esch-Townsend Act the provision that—

No evidence on behalf of either party shall be admissible in any such suit or proceeding which was not offered, but which with the exercise of proper diligence could have been offered, upon the hearing before the Commission that resulted in the particular order or orders in controversy; but nothing herein contained shall be construed to forbid the admission, in any such suit or proceeding, of evidence not existing, or which could not, with due diligence, have been known to the parties at the time of the hearing before the Commission.

Do you not understand that under that, if the railroads should offer certain testimony before the Commission, which was improperly excluded, they could offer that evidence again before the court of transportation, and that if the court should determine that it had been improperly excluded by the Commission it could then be admitted?

Colonel STONE. It is owing to the construction to be given to the word "offered." In my opinion, in the connection in which it is used, it means introduced, or allowed to be presented and considered before the Commission. There is no provision for making up a bill of exceptions as to what testimony was offered and rejected.

Senator NEWLANDS. Your contention is that if the testimony was offered and excluded, it constitutes no part of the record?

Colonel STONE. I confess that I do not know how the court of transportation might construe that provision, but, as I construe it, I think it prevents the consideration of any evidence not introduced before the Commission.

Senator NEWLANDS. I do not think it would have that interpretation.

Colonel STONE. There is no provision for a bill of exceptions to embody proof that might have been offered and excluded erroneously by the Commission, and unless a provision of that kind were incorporated in the bill there would be no power to do it.

Senator NEWLANDS. But I imagine that if certain testimony were offered before the Commission and were excluded, the record would show that fact, and then if the record went up to the court of transportation and the railroads should again offer the evidence, the only question would then be as to whether it had been offered before and excluded, and that would appear from the record.

Colonel STONE. That would be the course in a court of justice, Senator, but this Commission is not a judicial body, and in the absence of a provision designed to preserve such evidence, I do not see how it could be considered by the court of transportation or how it could be a part of the record. This measure and others like it, which have been introduced having for their object the clothing of the Interstate Commerce Commission with power to prescribe rates, are supposed by many to prevent the practice of allowing rebates or secret rates and other devices that prevent the shippers, large or small, from being placed on the same footing. I have been unable to see how rates fixed by the Government, through the Commission, could not be evaded just as well as the rates that are fixed by the companies and published as their fixed rates under the present law.

I want to say for the company that I represent before the committee that if the law already upon the statute books is not sufficiently rigid and severe, we are entirely willing that it may be made so by any enactment of Congress. The Louisville and Nashville Railroad Company has never violated this provision of the law; its books are open for inspection, and I am instructed by President Smith to say that the law can not be made too severe for him and his company on that branch.

Senator DOLLIVER. What would you say, Colonel Stone, as to the creation of a body of interstate commerce inspectors possessed with powers similar to those of examiners of national banks?

Colonel STONE. Our company is perfectly willing, if it should be

so enacted. Mr. Smith has been before the committee. He has made a statement of his views of this measure. They are entitled to some weight by reason of the fact that he is a practical railroad man of large experience. His views as presented to you have the merit of sincerity, and I trust that every Senator on this committee will read them. I have not read his statement myself, but I know generally his views upon a measure of this kind. Born in the Catskill Mountains, spending his youth in the State of New York, and his early manhood in northern Illinois, he became a railroad man at the age of 22. When the civil war broke out he was at Stevenson, Ala. At the age of 27 he had charge of all the transportation of troops and supplies for General Sherman's army in northern Georgia. He has been a railroad man for forty-six years. With the exception of three years, when he was connected with the Baltimore and Ohio Railroad, he has been with the Louisville and Nashville road.

That road, when he first became connected with it, only had an insignificant line of 185 miles from Louisville to Nashville. Under his management and control it has extended and been enlarged until the system to-day covers 3,600 miles of road operated by that company, and, with the affiliated lines in which the company is interested, over 6,000 miles, running and extending into thirteen different States.

Senator DOLLIVER. With what roads is it affiliated?

Colonel STONE. It has control, by owning a majority of the stock and other interests, of many roads, principally the Nashville, Chattanooga and St. Louis Railway Company, in which it owns a majority of the stock. The capital stock of this company, \$60,000,000, is worth on the open market to-day, \$140,000,000. When Mr. Smith took charge of the road it was not worth 25 cents on the dollar. Its \$110,000,000 of bonds are at a premium on the open market, its 4 per cent bonds being worth to-day 103.

So I say a man like Mr. Smith, who has sturdy common sense and honesty, who has had experience in the railroad business, tells you that this measure will be disastrous to his interests and those he represents in that property it is worth considering; it is worth more than that of theorists and those who have no practical knowledge of such affairs.

There is no clamor in the section through which the lines of this road run. There is none at the city of Louisville. There is none in any principal city of the South that I am aware of. There is no complaint against the rates of this company that they are too high. They are lower to-day than they have been in its history. I understand the Interstate Commerce Commission to have said repeatedly in their reports that there is no substantial complaint anywhere in the United States against the rates fixed by railroad companies.

Senator CARMACK. What you mean is no complaint against the amount?

Colonel STONE. I mean the amount of the rates.

Senator DOLLIVER. There is complaint in western cities, like Chicago, against the joint rate from Chicago to southern points for a distance very much less than the distance between the same southern points and the cities of Boston and New York on manufactured products; that is, there is complaint that the rates on manufactured products to southern points are very much greater than the rates from New York and Boston to the same southern points.



Colonel STONE. Shall Congress go into that question and legislate in the interest of Boston against New Orleans?

Senator DOLLIVER. But shoes, for example, made in Chicago and in other cities similarly situated, it seems to our people, should have access to the southern markets on equal terms with the Northeastern States, the distance being about equal. This maximum-rate case you have referred to was instituted by the protest of western manufacturers, not against all rates, but because under the old Green River pool—was that the name of the pool?

Colonel STONE. I do not know. I was not engaged in railroad business at that time.

Senator DOLLIVER. It was because the joint rates were deliberately fixed so high that agricultural products could not be sent to the southern market, and the southern railroads appear to have been parties to those joint rates. That was the maximum rate case.

Colonel STONE. Is it in the power of Congress or of this committee to remedy anything of that kind?

Senator DOLLIVER. We have tried, in the interest of interstate commerce, to prevent discriminations against all localities.

Colonel STONE. While the distance from Chicago to New Orleans is practically the same as from Boston to New Orleans, yet the incline from Chicago to New Orleans enables railroad companies to ship products to that point more easily and at less expense than from Boston. There are a great many natural advantages, all of which have to be considered when you undertake to equalize rates.

Senator DOLLIVER. But take the rate from Boston to Atlanta on boots and shoes, why should that be less than the rate from Chicago to Atlanta, when the distance from Chicago to Atlanta is very much less?

Colonel STONE. Because there is water transportation for a large part of it.

The CHAIRMAN. Competition?

Colonel STONE. Competition.

Senator DOLLIVER. Water competition for what distance?

Colonel STONE. There is a navigable river from Savannah to Augusta, not a great way from Atlanta, and the rail transportation is only from the latter city to Atlanta.

Senator DOLLIVER. Do you think the entire differential from Chicago on that class of goods is based on the water transportation proposition?

Colonel STONE. The differentials might depend somewhat upon distance.

Senator NEWLANDS. You mean from Chicago?

Colonel STONE. Yes, sir; in that instance. But you have got to allow railroad companies and those engaged in that kind of industries in competing with each other to take advantage of natural conditions as well as other conditions.

Senator DOLLIVER. But these affiliated roads of which you have spoken seem to have reduced competition to very much less stress than formerly existed.

Colonel STONE. There may be compensation, Senator; Boston may come out in the long run about even anyway, if it is discriminated against in the matter of rates on grain, for it gets the benefit of a cheaper rate on its shoes.

Senator DOLLIVER. What struck me was the fact that this old

agreement, which seems to have dated back before the Chicago fire—and which was perfectly proper at the time it was formed, because western cities were not then manufacturing cities—has stood there for thirty years, and now that Chicago has become a great manufacturing city, yet that discrimination remains there, and when they finally got the Interstate Commerce Commission to issue a very mild order in respect to it, the interstate-commerce act was practically nullified by the decision of the court.

Colonel STONE. No; I say it was simply construed by the Supreme Court holding that the power never was granted.

Senator DOLLIVER. I do not want to be understood as decrying the correctness of the decision, but we want somebody to inquire into the reasonableness and justice of that situation.

Colonel STONE. That is one power that is sought to be given to the Commission, but they will certainly have a large contract on hand if they undertake to execute it.

Senator NEWLANDS. You spoke of your system covering thirteen States; in how many of those States are there railway commissions having the power to fix State rates?

Colonel STONE. I do not remember, Mr. Senator; but in quite a number of them, if not all.

Senator NEWLANDS. Do those commissions exercise the power themselves of fixing State rates?

Colonel STONE. Very few of them. We have had a commission in Kentucky with that power for five or six years, and they have never exercised it.

Senator NEWLANDS. But they have the power under the law to do so, have they?

Colonel STONE. The statute so reads; but never having undertaken to execute the power the courts have not construed the law so as to decide whether the power was constitutionally conferred on the railroad commission of Kentucky or not.

Senator NEWLANDS. How is it with the other States? Have they exercised the power of fixing State rates in any of the other thirteen States?

Colonel STONE. I think some of them have.

Senator NEWLANDS. What States, and how many?

Colonel STONE. I do not remember.

Senator NEWLANDS. In some of them, four or five, do you think?

Colonel STONE. Yes; I should think so.

Senator NEWLANDS. Having exercised that power, has it operated to the serious injury of the companies?

Colonel STONE. If the companies depended on the traffic between points within the State alone, they could not maintain themselves at all. In the State of Illinois, in connection with what you have asked, the rates there are fixed by the State commission, and President Smith says that he could not pay operating expenses in that State, although his line runs through the State, if he had to depend on State traffic alone.

Senator NEWLANDS. Does the Louisville and Nashville operate in the State of Illinois?

Colonel STONE. Yes; from Evanston southwest in Indiana and across Illinois to St. Louis.

Mr. WALKER D. HINES. That is owned by the Louisville and Nashville and operated by it.

Senator NEWLANDS. Is it owned bodily by the Louisville and Nashville?

Mr. HINES. Yes, sir.

Senator NEWLANDS. The law of Kentucky authorizes the operation of a railroad outside of that State, does it?

Mr. HINES. That is my understanding.

Senator NEWLANDS. It does not simply own stock, as I understand.

Colonel STONE. It owns and operates.

Senator NEWLANDS. Other roads it controls by owning a majority of the stock.

Colonel STONE. The lines in thirteen States are actually owned and operated by the Louisville and Nashville. There are many lines in which it has a controlling interest, though not operated by the Louisville and Nashville.

Senator NEWLANDS. But they are regarded as being in the Louisville and Nashville system?

Colonel STONE. No, sir; they are not regarded as part of the system operated by the Louisville and Nashville.

Senator NEWLANDS. But in common parlance are they considered as part of the Louisville and Nashville system?

Colonel STONE. No, sir.

Senator CARMACK. Do I understand that the road from Evanston to St. Louis is owned and operated by the Louisville and Nashville?

Colonel STONE. It has a large minority holding in that company.

Senator DOLLIVER. Is that a holding by the Louisville and Nashville corporation itself, or by the stockholders of that company?

Colonel STONE. By the Louisville and Nashville itself.

Senator NEWLANDS. Is that corporation organized under the laws of Kentucky?

Colonel STONE. Yes, sir.

Senator NEWLANDS. And it is authorized by the law of that State to own stock in other companies?

Colonel STONE. Yes, sir.

Senator NEWLANDS. In that way these affiliated companies are controlled. I understood you to say that there are over 3,000 miles of road owned and operated by the Louisville and Nashville.

Colonel STONE. Three thousand six hundred miles.

Senator NEWLANDS. In about 13 States, did I understand?

Colonel STONE. Running into 13 States.

Senator NEWLANDS. In addition to that it has lines affiliated that make up nearly 3,000 miles of trackage?

Colonel STONE. In the neighborhood of 6,000 miles altogether.

Senator NEWLANDS. And you say that in the State of Illinois the local rates are such as would not pay the operating expenses of the Louisville and Nashville in that State—I mean the rates fixed by statute or by the State commission?

Colonel STONE. Yes, sir; by the State commission.

Senator NEWLANDS. Has your road ever questioned the right of the commission to fix those rates?

Colonel STONE. No, sir.

Senator NEWLANDS. Is there any other State in which the action of

the State commission has operated to the serious injury of your road?

Colonel STONE. Well, that is a very broad question. If the Louisville and Nashville depended solely on its State traffic (traffic within the State) it could not succeed. Its interstate commerce, however, enables it to carry on business successfully.

Senator NEWLANDS. Which do you regard as the more profitable, the interstate or the State traffic?

Colonel STONE. The interstate traffic.

Senator NEWLANDS. Is that larger in volume than the other?

Colonel STONE. Oh, much larger, as I understand.

Senator NEWLANDS. Assuming that the States have the power, as you say they have, in most of these States, to fix the State rates; that the National Government exercises no control whatever over the rates of railroads engaged in State traffic only, what is to prevent these companies, after becoming gradually affiliated, as they are now, into ten or twelve systems, from very largely increasing their rates and very largely increasing their income unless some restraining power of the National Government is exercised; and if you think that some restraining power is necessary, what would you suggest?

Colonel STONE. I suggest that the best restraint upon the power of railroad companies is to have men manage them who are qualified to manage them, men who know the best interests of the companies as well as of the people. What is to the interest of the railroad company is to the interest of the people in a majority of cases. Give the people a fair deal, treat all shippers properly, and the business will come to the railroad.

Senator NEWLANDS. But you will admit that by the practice of consolidating railway systems in the country (concentrating ownership and obtaining control through a community of interest) in many localities competition will be practically eliminated?

Colonel STONE. In some cases that may be true.

Senator NEWLANDS. And that is the purpose, is it not?

Colonel STONE. I think not.

Senator NEWLANDS. Do you not think the purpose of consolidation and community of interest is to eliminate competition?

Colonel STONE. I think not.

Senator NEWLANDS. What is the purpose of it?

Colonel STONE. The purpose is to place the systems of railroads under the same management, to accommodate more people, to give better service, and it is more economical in the management and operation of the railroad.

Senator NEWLANDS. Admitting that, is not the further purpose to eliminate competition? As I understand, the railroads first desire to pool their earnings so as to eliminate "cutthroat competition," as it is called, by the organization of these various systems, through concentrated ownership, holding companies, community of interest, etc. I understand that all that is intended to meet the purpose sought to be accomplished by pooling, is it not?

Colonel STONE. I do not know, Senator; it might have been in some instances. The Louisville and Nashville Railroad has acquired many short roads—roads that were unable to maintain themselves if left alone, but they now form a part of one general system reaching into these different States, developing mining and mineral interests,

and reaching more markets. The rates are more uniform, being under one management, and it is altogether beneficial that these roads have been acquired by the Louisville and Nashville. We have sharp competition all through the South with other roads.

Senator NEWLANDS. I have no doubt of that. I think that kind of consolidation of roads has been beneficial, so far as economy of operation and efficiency are concerned. But we are now considering what shall be done to lift unjust burdens from the people in consequence of increased rates. It seems to me that is a problem before us to provide for in the future. Where economy of operation and efficiency have come about under one control, do you not think it would be better if all the railroads now embraced in your system through affinity, affiliation, etc., were embraced in one national corporation?

Colonel STONE. I do not think so. I think that would make a complete monopoly unless they were under Government control.

Senator NEWLANDS. I speak of one corporation under national control.

Colonel STONE. Do you mean owned by the Government?

Senator NEWLANDS. No; I mean incorporated under a national act.

Colonel STONE. I think that is wholly impracticable.

Senator NEWLANDS. Why so?

Colonel STONE. I do not see how you could compel the present organizations to go into an arrangement of that kind. Certainly the National Government would have no control over the traffic between points inside a single State unless the Constitution be amended.

Senator NEWLANDS. Do you not think that all the roads embraced in your system would prefer to have the simplicity of control and operation that would come from having one corporation own the entire trackage?

Colonel STONE. It might make the management of the road more simple, but if the Government is going to take charge of the railroad companies it ought to guarantee dividends, so that those who have capital invested may be assured of some fair return on their capital.

Senator FOSTER. You have stated practically that the passage of this bill would be disastrous to railroad interests, as I understood you.

Colonel STONE. That is my belief.

Senator FOSTER. And would affect seriously the value of this property?

Colonel STONE. I think so.

Senator FOSTER. And would to a great extent destroy the value of the property?

Colonel STONE. I believe it would.

Senator FOSTER. Now, Colonel, will you state your reasons for that belief? This bill authorizes the Interstate Commerce Commission, after the railroads have established their rates, to supervise or revise those rates, and if it finds the rates established by the railroads to be in violation of the law, then it is empowered to substitute what the Commission considers a fair and reasonable rate under the law.

Colonel STONE. It is made their absolute duty to do so; they can not avoid it. After they have once decided that a rate is unjust and unreasonable, under this bill they must substitute what they consider to be a just and reasonable rate.

Senator FOSTER. Then the courts of the country shall decide the rights of all persons, and if the decision be against the corporation it

can appeal for a revision or reversal of the action of the Commission. Why should an instrumentality of the Government, such as this railroad commission is, armed with this limited authority, be disastrous in any way to the interests of the railroad?

Colonel STONE. I have tried to show that it is a commission with authority unlimited, not limited, to be put in the hands of seven men who are not required by the statute to possess any special qualifications for their work, men not experienced in the management of railroads, not even required to be lawyers or skilled in any way or fitted for this character of work. If this Commission is clothed with this general authority I assume that it will exercise that authority. Bodies and individuals once possessed of authority are very apt to exercise it. The very uncertainty of what the rates shall be for the future between certain points or on certain commodities would alone cast a shadow, in my opinion, upon the value of the securities, stocks, and bonds of the railroad companies. The management could not be so effective under such an arrangement as it would be under the management of those who have been trained and are skilled in the work and management of railroads, in fixing rates, and providing for different localities and commodities. I have tried to point out that under this bill the remedy proposed would be ineffective; that the court of transportation will have little power over these rates when once fixed, starting with the presumption that they are reasonable, and yet deprived of the right to consider any proof that might be offered in addition to that which was introduced before the Commission.

For these reasons, in common with all of our principal railroad men who have spent a lifetime in the service, I incline to the belief that if this bill is enacted and enforced it will be disastrous to the interests of the railroad companies, as well as to the people who are interested as employees or otherwise. In 1893 or 1894, when the hard times set in, we had 94,000 employees discharged; nearly all of the 800,000 who were left in the service of the companies had their wages decreased. If you cut down rates, if that is the prime object of this bill—and it is certainly not to increase the rates—you have got to cut down operating expenses; the railroad companies must be more economical; and that affects 1,300,000 employees in the service of the companies to-day, not to speak of the lawyers and the officials of those companies. Their wages would certainly be reduced, and many of them would be discharged, and the service would not be so good.

Senator FOSTER. I go upon the presumption, however—and ask you this question under that belief—that this Commission will be an impartial tribunal, composed of intelligent and patriotic men, who are honestly striving to do their duty and to enforce the law. Now, why should the act of a tribunal of that character, whose acts are subject to review by the courts of the country, create any such disastrous effects?

Colonel STONE. From a lack of knowledge and experience in railroad management, however honest such managers might be, however desirous to do the right thing for the companies, for the shippers, and everybody else, those managers, in my opinion, would yet fall short of the necessary work to be done. I think we had better let well enough alone.

Senator FOSTER. I am trying to get exactly at the objections to the bill.

Colonel STONE. This is an innovation.

Senator DOLLIVER. But, Colonel, the general counsel of the Pennsylvania Railroad, acting, as we understand in the committee, with the cooperation of the president of that road, some time during the last Congress presented a bill designed to accomplish exactly the result that this bill seeks to accomplish, accompanied, however, by a provision in favor of pooling, to be submitted to the Interstate Commerce Commission and, before going into effect, to be indorsed by the Commission, and he left the committee with the impression that that whole business could safely be left with such a commission.

Senator FOSTER. I am very glad Senator Dolliver has mentioned that, because I had intended to refer to that very matter.

Senator DOLLIVER. That would seem to raise a difference between your road and the Pennsylvania road as to the effect to be expected.

Senator CARMACK. What has been the position of the Louisville and Nashville Railroad Company with respect to pooling?

Colonel STONE. I am unable to state.

Senator CARMACK. My recollection is that Mr. Smith was rather opposed to pooling.

Colonel STONE. I think that is his view. It has no pooling arrangement now, and could not have under existing law without violating the Sherman antitrust law, as well as the interstate-commerce acts.

Senator CARMACK. Speaking of competition, has it not been the experience of railroad managers that competition which is felt at what are called competitive points has often been so keen at those points that freight is frequently carried at unremunerative rates, and that the railroads have asked the right to pool because the competition at competitive points was so keen as to become absolutely unremunerative? How does that affect rates at noncompetitive points?

Colonel STONE. I am unable to state, Mr. Senator. Of course it would depend upon the different circumstances and conditions. It would doubtless be a protection to have the right to make agreements to divide receipts on a fixed basis among railroad companies and prevent loss to them, and I believe it has been proposed by Mr. Spencer in his statement before the House committee that such a provision ought to be incorporated in any law on this subject, subject to the approval of the Interstate Commerce Commission, so that it would not give any unfair advantage to the roads or oppress shippers.

Senator CARMACK. This is the point of my question: Do not shippers from noncompetitive points really suffer from the competition at the competitive points?

Colonel STONE. That may be true. The rates may have to be changed in order to compensate for losses between other points.

Senator NEWLANDS. In looking over the Interstate Commerce Commission report for the last year I find that the gross earnings for the year 1903 were over \$1,900,000,000; that the increase of income in one year was \$174,000,000. If that increase should take effect at that rate every year for the next ten years it would mean that ten

years from now the increase of revenue alone would be \$1,700,000,000, or very nearly double the present revenue, which, of course, would mean the doubling, or more than that, of the amount available for dividends.

Colonel STONE. Not necessarily; it might be expended in betterments, improvements, and extensions.

Senator NEWLANDS. It might be, but that is regarded as an expenditure on account of capital, is it not?

Colonel STONE. Yes, sir.

Senator NEWLANDS. In view of that fact, do you not think it necessary that there should be some controlling power, and can not the railroads themselves suggest some method by which we can arrive at a fair adjustment of the question? As I understand, in Massachusetts, where they say they have no complaints, they limit the railroad companies to dividends of 8 per cent. The result is that the largely increased revenues goes to betterments, to increase of wages, extensions, etc., and I believe that is the case with the New York and New Haven Railroad; and from all we hear there seems to be no complaint in New England. Is there not some system of automatic control that could be suggested that would prevent an excessive income in the future, and yet at the same time leave to the railroads the initiative and the benefit of individual energy, enterprise, and capacity that they now have?

Colonel STONE. If there is any imperative necessity for any change or innovation as to the methods that ought to be employed to remedy the evil, then that might apply. But we find this country to-day in as prosperous a condition as it ever was; the railroads are prosperous; the country generally is prosperous. Why should we interrupt that state of things and make innovations that may result disastrously, not only to the railroads, but to the people at large?

Senator NEWLANDS. Your contention is that nothing in the way of legislation as to rates should be done by Congress, and that upon the question of control of the income derived from interstate commerce nothing should be done?

Colonel STONE. I think nothing should be done in those respects. I think the let-alone policy is the best, especially when there is no imperative necessity to make a change.

The CHAIRMAN. Colonel Stone, you have given this subject a good deal of thought. Referring to lines 7 and 8 of the first section of this bill, "or any regulation or practice whatsoever affecting the transportation of persons or property to be unreasonable or unjustly discriminatory, the Commission shall have power, and it shall be its duty, to declare and order what shall be a just and reasonable rate, practice, or regulation to be charged, imposed, or followed in the future"—how far does that reach? Have you given that any particular thought?

Colonel STONE. I commented on that somewhat this morning.

The CHAIRMAN. I was absent at the time. If that is in your statement I withdraw the question in the interest of saving time.

In the first section of this bill, where the proceedings are initiated by a shipper, is it your understanding that the shipper has to bear all the expense of this litigation from the time he files his complaint until it goes to the Supreme Court?



Colonel STONE. No, sir; there is no provision of that kind. The shipper might be a perfectly irresponsible person or insolvent.

The CHAIRMAN. But, practically, is not the shipper supposed to bear all this expense?

Colonel STONE. Not at all. Under the provisions of this bill there is no remedy for the railroad companies.

The CHAIRMAN. That is not my question. Suppose a shipper wants to bring complaint against a railroad company for charging an unjust rate. Under this bill is not that shipper bound to bear that expense himself?

Colonel STONE. I do not so understand it.

The CHAIRMAN. Who would bear the expense of this litigation?

Colonel STONE. If the Government succeeds before the Commission it comes out of the appropriation to carry on this work of the Commission; but if it fails there is no remedy for the railroad company to get back any of the costs.

The CHAIRMAN. I am speaking of the position of the shipper, whether he is not obliged to pay every dollar of that expense. I do not see anything in the bill to enable him to recover any part of it.

Colonel STONE. There is nothing in the bill requiring him to pay a cent.

The CHAIRMAN. It seems to me that he will have to pay all the costs of the proceedings from the time he opens his mouth to make complaint.

Colonel STONE. He does not stand in the attitude of a plaintiff or party to the proceedings.

The CHAIRMAN. The Commission can institute proceedings if it so desires, but my inquiry has reference to the man who complains in the first instance.

Senator CARMACK. He does not have to do anything but complain.

The CHAIRMAN. He does not have to pay the costs?

Senator CARMACK. I do not think so.

Colonel STONE. He only sets the proceedings on foot.

I thank the committee very kindly for its attention.

#### STATEMENT OF MR. L. A. DEAN, OF ROME, GA.

Mr. DEAN. Mr. Chairman and gentlemen of the committee, I thank you very much for this opportunity to be heard, and I will endeavor to be very brief.

I represent the peach growers of north Georgia, in the capacity of chairman of an executive committee appointed by a convention of peach growers, that committee being created to take charge of matters looking to a reduction of freight rates and refrigerator charges.

Georgia has recently come to the front in the peach industry, and the business has but fairly begun. Until last year the principal shipments were from middle Georgia, but last season north Georgia shipped 2,800 cars, being 500 cars more than were shipped from the balance of the State. Out of this magnificent crop the growers, as a class, realized no profit; many made a loss. Hardly 25 per cent of the trees now planted in north Georgia have come to the bearing age. If within the next three years we have such a fruitage as we had the past season, we will produce from 6,000 to 8,000 cars in north Georgia alone.

can appeal for a revision or reversal of the action of the Commission. Why should an instrumentality of the Government, such as this railroad commission is, armed with this limited authority, be disastrous in any way to the interests of the railroad?

Colonel STONE. I have tried to show that it is a commission with authority unlimited, not limited, to be put in the hands of seven men who are not required by the statute to possess any special qualifications for their work, men not experienced in the management of railroads, not even required to be lawyers or skilled in any way or fitted for this character of work. If this Commission is clothed with this general authority I assume that it will exercise that authority. Bodies and individuals once possessed of authority are very apt to exercise it. The very uncertainty of what the rates shall be for the future between certain points or on certain commodities would alone cast a shadow, in my opinion, upon the value of the securities, stocks, and bonds of the railroad companies. The management could not be so effective under such an arrangement as it would be under the management of those who have been trained and are skilled in the work and management of railroads, in fixing rates, and providing for different localities and commodities. I have tried to point out that under this bill the remedy proposed would be ineffective; that the court of transportation will have little power over these rates when once fixed, starting with the presumption that they are reasonable, and yet deprived of the right to consider any proof that might be offered in addition to that which was introduced before the Commission.

For these reasons, in common with all of our principal railroad men who have spent a lifetime in the service, I incline to the belief that if this bill is enacted and enforced it will be disastrous to the interests of the railroad companies, as well as to the people who are interested as employees or otherwise. In 1893 or 1894, when the hard times set in, we had 94,000 employees discharged; nearly all of the 800,000 who were left in the service of the companies had their wages decreased. If you cut down rates, if that is the prime object of this bill—and it is certainly not to increase the rates—you have got to cut down operating expenses; the railroad companies must be more economical; and that affects 1,300,000 employees in the service of the companies to-day, not to speak of the lawyers and the officials of those companies. Their wages would certainly be reduced, and many of them would be discharged, and the service would not be so good.

Senator FOSTER. I go upon the presumption, however—and ask you this question under that belief—that this Commission will be an impartial tribunal, composed of intelligent and patriotic men, who are honestly striving to do their duty and to enforce the law. Now, why should the act of a tribunal of that character, whose acts are subject to review by the courts of the country, create any such disastrous effects?

Colonel STONE. From a lack of knowledge and experience in railroad management, however honest such managers might be, however desirous to do the right thing for the companies, for the shippers, and everybody else, those managers, in my opinion, would yet fall short of the necessary work to be done. I think we had better let well enough alone.

## 266 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

*Statement based on annual reports on the statistics of railways in the United States for the years named.*

Year ending June 30—	Capital stock.	Net earnings, less taxes.	5 per cent on capital stock.	Excess of column 3 over column 4, being excessive earnings.
1903 .....	\$6,155,559,032 (6,444,431,226)	\$585,458,486	\$307,779,952	\$277,680,534
1902 .....	6,024,201,295 (6,109,981,669)	555,666,083	301,210,065	254,456,018
1901 .....	5,806,566,204 (5,881,580,887)	507,184,395	290,328,310	216,856,085
1900 .....	5,845,579,593 (5,645,455,367)	477,284,030	292,278,950	185,005,050
1899 .....	5,515,011,725 (5,518,943,172)	410,303,487	275,750,586	134,552,901
1898 .....	5,388,268,321 (5,430,285,710)	385,524,121	269,413,416	116,110,705
1897 .....	5,364,642,255 (5,270,365,819)	326,427,165	268,232,113	58,195,052
1896 .....	5,226,527,269 (5,340,338,502)	337,209,541	261,326,363	75,883,178
1895 .....	4,961,258,656 (5,385,495,573)	309,818,614	248,062,933	61,755,681
1894 .....	4,834,075,659 (5,356,583,019)	303,822,201	241,703,783	62,118,418
Total excessive earnings for ten years.				1,442,613,622

NOTE.—Figures in parentheses represent funded debt.

To this excess add a sum for the excessive earnings for the year ending June 30, 1904, which we assume will not be less than that for 1903, to wit, \$277,680,534. To this add the excessive earnings for the years prior to 1894, and you will easily see the excessive earnings to be above \$2,000,000,000, a sum equal to one-third of the entire present capital stock of all the railroads in the United States. These enormous excessive earnings appear in the Interstate Commerce Report in spite of the fact that in keeping railroad-operating expense accounts many items are charged to operating expenses that should properly be charged to permanent improvements.

What a tremendous sum extorted from the people! What has become of it? Gone into purchasing and building other roads for the shareholders, for the operation of which the people must pay, first, reasonable charges, and, if Congress does not give relief, also excessive charges to be in like manner invested for like purposes.

If these excessive earnings are not restrained what will they amount to in the next ten or twenty years? The railroad companies will be able to own the Government itself.

Can the people of the United States stand such a condition? Are not the people now the rightful owners of an interest in the railroads of the country to the extent of these excessive charges, to wit, at least to the extent of one-third the value of the entire capital stock? Have not the people furnished the money to build the roads to this extent?

I have had other figures made from the same reports, and they show this: For the year ending June 30, 1903, the average tariff paid on all freight shipped is shown to be 0.76 cent per ton per mile. The excessive earnings for the same year as shown above aggregate \$277,680,534. Had this sum not been collected the rate per ton per mile would have been 0.66 instead of 0.76. Assuming, then, that this sum (0.66) is what is just and what ought to have been the average charge per ton per mile, let us see how the Georgia peach has fared at the hands of the rail-

roads. One example will illustrate. The rate on peaches from Rome, Ga., in carload lots of 20,000 minimum weight to New York is 81 cents per hundred, equal to \$162 per car. To this add \$67.50 per car, refrigerator car charges, from which deduct \$35 per car, the actual cost of icing a car from beginning to end of route, and we have \$189.50 per car or \$18.95 per ton. The distance from Rome to New York is 885 miles, thus making 2.14 cents per ton per mile, which is 3.24 times as much as the reasonable or just average rate on the average freight carried in the United States.

Is it possible for the peach industry to bear this enormous burden? It will be contended that the peach is harder to handle. We grant this, but we are not willing to admit that it is 3.24 times as hard to handle as the average commodity of the United States. Neither do we feel that it is just to let the railroad companies, acting in their own behalf, be the arbiters of this vital question.

The CHAIRMAN. What is a carload of peaches worth in New York?

Mr. DEAN. That depends largely upon the market.

The CHAIRMAN. Take the average.

Mr. DEAN. You had better let me state what it is worth at home before it starts. At home we are satisfied to get \$1 a crate; that is \$150 for a carload.

The CHAIRMAN. Then it is worth in New York how much?

Mr. DEAN. That varies very materially; sometimes it will hardly bring the freight; at other times it will bring \$1,000, and they have been known to bring, in gross, as much as \$1,500 or \$1,600. There is a very wide divergence in the New York market. But if we can get \$1 a crate, delivered on the cars in Georgia, we are satisfied.

If this Congress does not give relief and Providence favors us with a peach crop this year, the railroads will get an excessive part of it again, and I verily believe the Georgia peach grower will become so discouraged that he will abandon his orchards and lose confidence in the Government he should love and support.

As to the refrigerator-car service, in spite of the enormous charge of \$67.50 per car, in addition to the freight tariff from Rome to New York (I speak of Rome, it being the center of the northwest Georgia industry), the service was bad, peaches spoiled en route, and cars could not be had at many places for loading. Still it is insisted that high prices should be paid for this defective service. Yet when it comes to paying damages for losses caused by bad service we meet with all manner of resistance. We are frank to say, however, that the crop was heavy and out of the ordinary last season, and the car company was not prepared to handle it. We are informed that arrangements are being made for more successful handling in future. We have hopes this may be done. We do not care how the refrigerator cars are provided, whether by the railroad companies themselves or through private car companies. It may be that the private car system is the better, but we contend that the refrigerator-car service is a part of the transportation system, a facility of the public highway. No matter by whom the cars may be owned they should be under the same control as the railroads. Until this is done we do not feel that our industry is safe or that there is any prospect for its permanent growth.

Colonel Stone, counsel for the Louisville and Nashville has just stated that his system, under the management of President Smith, has

enormously increased its business, extended its lines, and raised the value of its stocks and bonds far above par. No wonder such a result has been accomplished in view of the excessive charges. I dare say the amount of original capital put into these extensions is very small, and the people are the ones who have made the contribution to develop the system. The railroads say let well-enough alone, but what do the people say?

The CHAIRMAN. The committee will now have to adjourn, as it is 12 o'clock.

Mr. DEAN. I am satisfied.

Senator NEWLANDS. You can add to your statement any figures you desire.

Mr. DEAN. I shall be very glad to do so.

Senator DOLLIVER. Put in anything you have.

Mr. DEAN. I have a paper prepared in the exact language in which I would like to have my statement appear in the record.

The CHAIRMAN. There is no objection to that.

Senator CARMACK. Make it as complete as you desire.

U. S. SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*Monday, February 6, 1905.*

**STATEMENT OF E. F. PERRY.**

The CHAIRMAN. Please state your name, your residence, and place of business, and whom you represent.

Mr. PERRY. My name is E. F. Perry; my residence is Nyack, N. Y., and my place of business is 66 Broadway, New York City; I am secretary of the National Wholesale Lumber Dealers' Association, with headquarters at 66 Broadway, New York.

Our association is largely a social one, with certain business features connected, but in no way controlling prices, suggesting prices, suggesting combinations, or anything of that sort. We simply gather together to bring out the best for the members of an organization of this sort. Our membership consists of 315 wholesale lumber dealers and manufacturers of lumber, located almost entirely east of the Mississippi River. These members control the routing and shipping of 500,000 to 600,000 car loads of lumber per year.

Our members are very strongly in sympathy with the subject of legislation which is now before the country of increasing the powers of the Interstate Commerce Commission, and our executive officers have in hand at the present time and in preparation a certain set of resolutions which I should like to file with the committee as soon as they are properly signed.

The CHAIRMAN. As part of your statement?

Mr. PERRY. As part of my statement.

The CHAIRMAN. These are resolutions of your organization?

Mr. PERRY. Yes, sir; we are simply holding them until they are properly executed.

The CHAIRMAN. The stenographer will insert them at the proper place.

[NOTE.—These resolutions were never received.]

Senator FOSTER. Your organization advocates the bill that is now before the House known as the Esch-Townsend bill?

Mr. PERRY. I can not truly say that the members of our association advocate that particular bill, but we do advocate that class of legislation upon which we have been working for some four years.

Senator FOSTER. Conferring on the Interstate Commerce Commission the rate-making power?

Mr. PERRY. Yes, sir; granting them the power, as it is being discussed. We are heartily in sympathy with the statements in the President's message to Congress in December, in which he advocates conferring this power. We have not advocated any particular bill, but there are several bills that seem to cover many of the questions we have in mind.

Mr. E. P. BACON. I should like to ask Senator Foster if he did not use the phrase "rate making" instead of "rate revising;" that is, giving the Commission power to revise rates that are found to be unjust and unreasonable?

Mr. DANIEL DAVENPORT. I would ask the Senator if the two things are not in substance the same?

Senator FOSTER. I am not one of the witnesses before the committee. I understand the purpose of the bill is to confer upon the Interstate Commerce Commission, not the power to fix rates originally, but only that, after examination, it may substitute whatever rates it may have determined to be just and reasonable.

Mr. PERRY. That is what I had in mind in answering.

U. S. SENATE COMMITTEE ON INTERSTATE COMMERCE,  
*February 23, 1905.*

#### STATEMENT OF MR. STUYVESANT FISH.

The CHAIRMAN. Please state your name and occupation.

Mr. FISH. Stuyvesant Fish; president of the Illinois Central Railroad Company, and president of The Yazoo and Mississippi Valley Railroad Company, those being two independent corporations, operating together about 5,500 miles of railroad.

The CHAIRMAN. Through how many States?

Mr. FISH. Thirteen States.

The CHAIRMAN. Please name them.

Mr. FISH. South Dakota, Minnesota, Iowa, Nebraska, Wisconsin, Illinois, Indiana, Kentucky, Tennessee, Mississippi, Arkansas, Alabama, and Louisiana.

The CHAIRMAN. We have under consideration the railroad rate-making question, and particularly what is known as the Esch Townsend bill that has passed the House and been referred by the Senate to this committee. If you will proceed with what you have to say to that question, we should be glad to hear you.

Mr. FISH. I will come to that, Mr. Chairman, perhaps a little indirectly, though not purposely so.

The CHAIRMAN. Proceed in your own way, Mr. Fish.

Mr. FISH. The Illinois Central Railroad Company stands in a peculiar relation to both the Federal Government and to the State of Illinois, by which it was incorporated. The earliest act of Congress

granting lands in aid of the construction of railroads, which really became effective through the building of such railroads, was that entitled "An act granting the right of way, and making a grant of land to the States of Illinois, Mississippi, and Alabama, in aid of the construction of a railroad from Chicago to Mobile (approved September 20, 1850)."

That act defined very specifically the location of the railroad in Illinois, and did so on lines which, in the opinion of Senator Stephen A. Douglas and the other Representatives from Illinois, would best serve the interests of the State, by making the initial point from which the railroad was to be built "the southern terminus of the Illinois and Michigan Canal," viz, LaSalle, and requiring the railroad to be built thence to the junction of the Ohio and the Mississippi rivers—Cairo, with a branch of the same to Chicago and another branch "via the town of Galena in said State, to Dubuque in the State of Iowa." As at that time St. Louis was a much more important point (population in 1850, 77,860) than Chicago (population in 1850, 29,963), as the country in the neighborhood of Galena was exceedingly rough, and nearly all of the country south of the line of the Illinois and Michigan Canal a wilderness, the location is not one which private investors would have selected. As an inducement to the building of the line, Congress granted to the State of Illinois a large body of public lands which had been in the market for very many years, and which, if not disposed of in the meanwhile, would, by the subsequent graduation act of August 4, 1854, have been reduced in price to 12½ cents per acre.

The grant was of the alternate, even-numbered, sections for six sections in width on each side of said railroad and branches, and the act provided—

That the sections and parts of sections of land which, by such grant, shall remain to the United States within 6 miles on each side of said road and branches shall not be sold for less than double the minimum price of the public lands when sold.

As the construction of the railroad followed with all due dispatch, the Federal Government not only lost nothing by the grant of the even-numbered sections, but actually gained; first, in the sale of the odd-numbered sections at a doubled price, and, secondly, through the settlement of the country. What this was worth in the preservation of the Union eleven years later is within the memory of all.

The act of Congress further provided that the railroad and branches should be and remain a public highway "for the use of the Government of the United States, free from toll or other charge upon the transportation of any property or troops of the United States."

During the four years of the civil war the operation of the railroad was utterly crippled by calls made upon it by the Government, and to this day all transportation for the Government has been at very material reductions, I believe 33½ per cent below rates charged to other shippers or travelers.

The act of Congress contained another material reservation, viz:

That the United States mail shall at all times be transported on the said railroad under the direction of the Post-Office Department, at such price as the Congress may by law direct.

The State of Illinois passed an act accepting this act of Congress, and in chartering the Illinois Central Railroad Company turned over to that company all that it had received from the Federal Government, *burdened with the conditions set forth in the act of Congress.*

The intention of Congress to aid in the construction of a railroad in several States is expressed in the title and throughout the act of 1850, and this is equally true of that part of it north of the Ohio River, which, while lying almost entirely in Illinois, was required to extend "to Dubuque in the State of Iowa."

There is in the act of Congress no reservation whatever as to regulation of rates. Indeed it would, in those days at least, hardly have been suggested for Congress to have attempted to control one of the States in such matters. Had the State built, owned, and operated its railroad, as it does operate its Illinois and Michigan Canal (at a loss in 1902 of \$124,271), no such question could have arisen.

The State having already had a disastrous experience with owning railroads, and being at that time in default for interest on some millions of bonds, preferred to charter a private company, and in so doing enacted that—

The board of directors shall have power to establish such rates of toll for the conveyance of persons and property upon the same as they shall from time to time by their by-laws direct and determine and to levy and collect the same for the use of the said company. (Act of the State of Illinois to incorporate the Illinois Central Railroad Company, approved February 10, 1851.)

I am fully aware that the courts have put upon this law a construction very different from that which was in the minds of those who invested their money on the faith of the contract therein expressed, but I do think it my duty to lay the facts before you, without questioning the decision of the courts.

However it may be with respect to the railroad company, which is merely one of the many citizens of Illinois, I think you will agree with me that had the State built and continued to operate the railroad, the expression in the act of Congress of those restrictions in respect to charges for the carriage of "property or troops of the United States" and of the mails, would preclude the Federal Government from also reducing the charges made by the State to other shippers and travelers.

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Senator FOSTER. I am trying to get exactly at the objections to the bill.

Colonel STONE. This is an innovation.

Senator DOLLIVER. But, Colonel, the general counsel of the Pennsylvania Railroad, acting, as we understand in the committee, with the cooperation of the president of that road, some time during the last Congress presented a bill designed to accomplish exactly the result that this bill seeks to accomplish, accompanied, however, by a provision in favor of pooling, to be submitted to the Interstate Commerce Commission and, before going into effect, to be indorsed by the Commission, and he left the committee with the impression that that whole business could safely be left with such a commission.

Senator FOSTER. I am very glad Senator Dolliver has mentioned that, because I had intended to refer to that very matter.

Senator DOLLIVER. That would seem to raise a difference between your road and the Pennsylvania road as to the effect to be expected.

Senator CARMACK. What has been the position of the Louisville and Nashville Railroad Company with respect to pooling?

Colonel STONE. I am unable to state.

Senator CARMACK. My recollection is that Mr. Smith was rather opposed to pooling.

Colonel STONE. I think that is his view. It has no pooling arrangement now, and could not have under existing law without violating the Sherman antitrust law, as well as the interstate-commerce acts.

Senator CARMACK. Speaking of competition, has it not been the experience of railroad managers that competition which is felt at what are called competitive points has often been so keen at those points that freight is frequently carried at unremunerative rates, and that the railroads have asked the right to pool because the competition at competitive points was so keen as to become absolutely unremunerative? How does that affect rates at noncompetitive points?

Colonel STONE. I am unable to state, Mr. Senator. Of course it would depend upon the different circumstances and conditions. It would doubtless be a protection to have the right to make agreements to divide receipts on a fixed basis among railroad companies and prevent loss to them, and I believe it has been proposed by Mr. Spencer in his statement before the House committee that such a provision ought to be incorporated in any law on this subject, subject to the approval of the Interstate Commerce Commission, so that it would not give any unfair advantage to the roads or oppress shippers.

Senator CARMACK. This is the point of my question: Do not shippers from noncompetitive points really suffer from the competition at the competitive points?

Colonel STONE. That may be true. The rates may have to be changed in order to compensate for losses between other points.

Senator NEWLANDS. In looking over the Interstate Commerce Commission report for the last year I find that the gross earnings for the year 1903 were over \$1,900,000,000; that the increase of income in one year was \$174,000,000. If that increase should take effect at that rate every year for the next ten years it would mean that ten

years from now the increase of revenue alone would be \$1,700,000,000, or very nearly double the present revenue, which, of course, would mean the doubling, or more than that, of the amount available for dividends.

Colonel STONE. Not necessarily; it might be expended in betterments, improvements, and extensions.

Senator NEWLANDS. It might be, but that is regarded as an expenditure on account of capital, is it not?

Colonel STONE. Yes, sir.

Senator NEWLANDS. In view of that fact, do you not think it necessary that there should be some controlling power, and can not the railroads themselves suggest some method by which we can arrive at a fair adjustment of the question? As I understand, in Massachusetts, where they say they have no complaints, they limit the railroad companies to dividends of 8 per cent. The result is that the largely increased revenues goes to betterments, to increase of wages, extensions, etc., and I believe that is the case with the New York and New Haven Railroad; and from all we hear there seems to be no complaint in New England. Is there not some system of automatic control that could be suggested that would prevent an excessive income in the future, and yet at the same time leave to the railroads the initiative and the benefit of individual energy, enterprise, and capacity that they now have?

Colonel STONE. If there is any imperative necessity for any change or innovation as to the methods that ought to be employed to remedy the evil, then that might apply. But we find this country to-day in as prosperous a condition as it ever was; the railroads are prosperous; the country generally is prosperous. Why should we interrupt that state of things and make innovations that may result disastrously, not only to the railroads, but to the people at large?

Senator NEWLANDS. Your contention is that nothing in the way of legislation as to rates should be done by Congress, and that upon the question of control of the income derived from interstate commerce nothing should be done?

Colonel STONE. I think nothing should be done in those respects. I think the let-alone policy is the best, especially when there is no imperative necessity to make a change.

The CHAIRMAN. Colonel Stone, you have given this subject a good deal of thought. Referring to lines 7 and 8 of the first section of this bill, "or any regulation or practice whatsoever affecting the transportation of persons or property to be unreasonable or unjustly discriminatory, the Commission shall have power, and it shall be its duty, to declare and order what shall be a just and reasonable rate, practice, or regulation to be charged, imposed, or followed in the future"—how far does that reach? Have you given that any particular thought?

Colonel STONE. I commented on that somewhat this morning.

The CHAIRMAN. I was absent at the time. If that is in your statement I withdraw the question in the interest of saving time.

In the first section of this bill, where the proceedings are initiated by a shipper, is it your understanding that the shipper has to bear all the expense of this litigation from the time he files his complaint until it goes to the Supreme Court?

Colonel STONE. No, sir; there is no provision of that kind. The shipper might be a perfectly irresponsible person or insolvent.

The CHAIRMAN. But, practically, is not the shipper supposed to bear all this expense?

Colonel STONE. Not at all. Under the provisions of this bill there is no remedy for the railroad companies.

The CHAIRMAN. That is not my question. Suppose a shipper wants to bring complaint against a railroad company for charging an unjust rate. Under this bill is not that shipper bound to bear that expense himself?

Colonel STONE. I do not so understand it.

The CHAIRMAN. Who would bear the expense of this litigation?

Colonel STONE. If the Government succeeds before the Commission it comes out of the appropriation to carry on this work of the Commission; but if it fails there is no remedy for the railroad company to get back any of the costs.

The CHAIRMAN. I am speaking of the position of the shipper, whether he is not obliged to pay every dollar of that expense. I do not see anything in the bill to enable him to recover any part of it.

Colonel STONE. There is nothing in the bill requiring him to pay a cent.

The CHAIRMAN. It seems to me that he will have to pay all the costs of the proceedings from the time he opens his mouth to make complaint.

Colonel STONE. He does not stand in the attitude of a plaintiff or party to the proceedings.

The CHAIRMAN. The Commission can institute proceedings if it so desires, but my inquiry has reference to the man who complains in the first instance.

Senator CARMACK. He does not have to do anything but complain.

The CHAIRMAN. He does not have to pay the costs?

Senator CARMACK. I do not think so.

Colonel STONE. He only sets the proceedings on foot.

I thank the committee very kindly for its attention.

#### STATEMENT OF MR. L. A. DEAN, OF ROME, GA.

Mr. DEAN. Mr. Chairman and gentlemen of the committee, I thank you very much for this opportunity to be heard, and I will endeavor to be very brief.

I represent the peach growers of north Georgia, in the capacity of chairman of an executive committee appointed by a convention of peach growers, that committee being created to take charge of matters looking to a reduction of freight rates and refrigerator charges.

Georgia has recently come to the front in the peach industry, and the business has but fairly begun. Until last year the principal shipments were from middle Georgia, but last season north Georgia shipped 2,800 cars, being 500 cars more than were shipped from the balance of the State. Out of this magnificent crop the growers, as a class, realized no profit; many made a loss. Hardly 25 per cent of the trees now planted in north Georgia have come to the bearing age. If within the next three years we have such a fruitage as we had the past season, we will produce from 6,000 to 8,000 cars in north Georgia alone.

The Georgia farmer has learned well how to produce peaches and load them into the car, but he has not acquired the art of getting them to market in a manner to bring him a profit. We are in trouble. We think there are three obstacles that stand in the way to defeat profit. First, excessive railroad freights; second, excessive refrigerator-car charges; third, bad returns from some commission merchants. The first two we can not overcome except Congress comes to our relief. The third we can and will deal with direct and in due time. By proper vigilance and the adoption of business methods the dishonest commission merchant may no longer grow fat on Georgia peaches.

The first two obstacles are for the consideration of Congress. The Supreme Court of the United States, in the case of *Smythe v. Ames*, 169th U. S. at pages 546-7, held:

The basis of all calculation as to reasonableness of rates \* \* \* must be the fair value of the property being used. \* \* \* To ascertain that value the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stocks, the present as compared with the original cost of construction, the probable earning capacity under particular rates prescribed by statute, and the sum required to meet operating expenses, are all matters of consideration. \* \* \* What the company is entitled to ask is a fair return upon the value of that which it employs for the public convenience. On the other hand, what the public is entitled to demand is that no more be exacted from it for the use of a public highway than the services rendered by it are reasonably worth.

This being the law, and being founded in principle, all rates over and above such a sum as will make a fair income on the real value of the property in use are extortion and may be recovered back on a proper case made. The conclusion is inevitable that such excess is not the rightful property or earnings of the railroad company.

That existing freight rates are excessive may be shown by calculations based on facts stated in the Report on Statistics of Railways, prepared by the Interstate Commerce Commission for the year ending June 30, 1903. From this report it appears that the net earnings of the railroads in the United States were sufficient to pay 5 per cent dividend on the capital stock of all the roads and leave a surplus or excess of \$277,680,534. It is familiar history that all roads are capitalized and bonded for vastly more than their value. We may safely assume that the capital stock represents more than the value of all railroad property in the United States.

If this is denied you have but to refer to the tax returns and assessments of the several States to show that for the year 1903 the aggregate tax—State, county, and municipal—paid by railroads only aggregate a sum equal to 0.94 per cent on the capital stock. Every citizen knows that 0.94 per cent for State, county, and municipal taxes is not one-half the amount paid on other property throughout the country. Thus it appears that the capital stock either represents more than the value of railroad property, or it is being returned for less than its value.

Assuming that the capital stock of railroads represents fully the value of the property, and that 5 per cent above all operating expenses, repairs, maintenance, and taxes is a fair income, the following table, which I have caused to be compiled from the report on statistics of railways, shows that for the ten years prior to 1904 the earnings of railroads in the United States in excess of all expenditures as above and 5 per cent on capital stock aggregated the enormous sum of \$1,442,613,622.

## 266 DUTIES AND POWERS OF INTERSTATE COMMERCE COMMISSION.

*Statement based on annual reports on the statistics of railways in the United States for the years named.*

Year ending June 30—	Capital stock.	Net earnings, less taxes.	5 per cent on capital stock.	Excess of column 3 over column 4, being excessive earnings.
1903 .....	\$6,155,559,032 (6,444,431,226)	\$585,458,486	\$307,779,952	\$277,680,534
1902 .....	6,024,201,295 (6,109,981,669)	555,666,083	301,210,065	254,456,018
1901 .....	5,806,566,204 (5,881,580,887)	507,184,395	290,328,310	216,856,085
1900 .....	5,845,579,593 (5,645,455,367)	477,284,030	292,278,980	185,005,050
1899 .....	5,515,011,725 (5,518,943,172)	410,303,487	275,750,586	134,552,901
1898 .....	5,388,268,321 (5,430,285,710)	385,524,121	269,413,416	116,110,705
1897 .....	5,364,642,255 (5,270,365,819)	326,427,165	268,232,113	58,195,052
1896 .....	5,226,527,269 (5,340,338,502)	337,209,541	261,326,363	75,883,178
1895 .....	4,961,258,656 (5,385,495,573)	309,818,614	248,062,933	61,755,681
1894 .....	4,834,075,659 (5,356,583,019)	303,822,201	241,703,783	62,118,418
Total excessive earnings for ten years.				1,442,613,622

NOTE.—Figures in parentheses represent funded debt.

To this excess add a sum for the excessive earnings for the year ending June 30, 1904, which we assume will not be less than that for 1903, to wit, \$277,680,534. To this add the excessive earnings for the years prior to 1894, and you will easily see the excessive earnings to be above \$2,000,000,000, a sum equal to one-third of the entire present capital stock of all the railroads in the United States. These enormous excessive earnings appear in the Interstate Commerce Report in spite of the fact that in keeping railroad-operating expense accounts many items are charged to operating expenses that should properly be charged to permanent improvements.

What a tremendous sum extorted from the people! What has become of it? Gone into purchasing and building other roads for the shareholders, for the operation of which the people must pay, first, reasonable charges, and, if Congress does not give relief, also excessive charges to be in like manner invested for like purposes.

If these excessive earnings are not restrained what will they amount to in the next ten or twenty years? The railroad companies will be able to own the Government itself.

Can the people of the United States stand such a condition? Are not the people now the rightful owners of an interest in the railroads of the country to the extent of these excessive charges, to wit, at least to the extent of one-third the value of the entire capital stock? Have not the people furnished the money to build the roads to this extent?

I have had other figures made from the same reports, and they show this: For the year ending June 30, 1903, the average tariff paid on all freight shipped is shown to be 0.76 cent per ton per mile. The excessive earnings for the same year as shown above aggregate \$277,680,534. Had this sum not been collected the rate per ton per mile would have been 0.66 instead of 0.76. Assuming, then, that this sum (0.66) is what is just and what ought to have been the average charge per ton per mile, *let us see how the Georgia peach has fared at the hands of the rail-*

roads. One example will illustrate. The rate on peaches from Rome, Ga., in carload lots of 20,000 minimum weight to New York is 81 cents per hundred, equal to \$162 per car. To this add \$67.50 per car, refrigerator car charges, from which deduct \$35 per car, the actual cost of icing a car from beginning to end of route, and we have \$189.50 per car or \$18.95 per ton. The distance from Rome to New York is 885 miles, thus making 2.14 cents per ton per mile, which is 3.24 times as much as the reasonable or just average rate on the average freight carried in the United States.

Is it possible for the peach industry to bear this enormous burden? It will be contended that the peach is harder to handle. We grant this, but we are not willing to admit that it is 3.24 times as hard to handle as the average commodity of the United States. Neither do we feel that it is just to let the railroad companies, acting in their own behalf, be the arbiters of this vital question.

The CHAIRMAN. What is a carload of peaches worth in New York?

Mr. DEAN. That depends largely upon the market.

The CHAIRMAN. Take the average.

Mr. DEAN. You had better let me state what it is worth at home before it starts. At home we are satisfied to get \$1 a crate; that is \$150 for a carload.

The CHAIRMAN. Then it is worth in New York how much?

Mr. DEAN. That varies very materially; sometimes it will hardly bring the freight; at other times it will bring \$1,000, and they have been known to bring, in gross, as much as \$1,500 or \$1,600. There is a very wide divergence in the New York market. But if we can get \$1 a crate, delivered on the cars in Georgia, we are satisfied.

If this Congress does not give relief and Providence favors us with a peach crop this year, the railroads will get an excessive part of it again, and I verily believe the Georgia peach grower will become so discouraged that he will abandon his orchards and lose confidence in the Government he should love and support.

As to the refrigerator-car service, in spite of the enormous charge of \$67.50 per car, in addition to the freight tariff from Rome to New York (I speak of Rome, it being the center of the northwest Georgia industry), the service was bad, peaches spoiled en route, and cars could not be had at many places for loading. Still it is insisted that high prices should be paid for this defective service. Yet when it comes to paying damages for losses caused by bad service we meet with all manner of resistance. We are frank to say, however, that the crop was heavy and out of the ordinary last season, and the car company was not prepared to handle it. We are informed that arrangements are being made for more successful handling in future. We have hopes this may be done. We do not care how the refrigerator cars are provided, whether by the railroad companies themselves or through private car companies. It may be that the private car system is the better, but we contend that the refrigerator-car service is a part of the transportation system, a facility of the public highway. No matter by whom the cars may be owned they should be under the same control as the railroads. Until this is done we do not feel that our industry is safe or that there is any prospect for its permanent growth.

Colonel Stone, counsel for the Louisville and Nashville has just stated that his system, under the management of President Smith, has

granting lands in aid of the construction of railroads, which really became effective through the building of such railroads, was that entitled "An act granting the right of way, and making a grant of land to the States of Illinois, Mississippi, and Alabama, in aid of the construction of a railroad from Chicago to Mobile (approved September 20, 1850)."

That act defined very specifically the location of the railroad in Illinois, and did so on lines which, in the opinion of Senator Stephen A. Douglas and the other Representatives from Illinois, would best serve the interests of the State, by making the initial point from which the railroad was to be built "the southern terminus of the Illinois and Michigan Canal," viz, LaSalle, and requiring the railroad to be built thence to the junction of the Ohio and the Mississippi rivers—Cairo, with a branch of the same to Chicago and another branch "via the town of Galena in said State, to Dubuque in the State of Iowa." As at that time St. Louis was a much more important point (population in 1850, 77,860) than Chicago (population in 1850, 29,963), as the country in the neighborhood of Galena was exceedingly rough, and nearly all of the country south of the line of the Illinois and Michigan Canal a wilderness, the location is not one which private investors would have selected. As an inducement to the building of the line, Congress granted to the State of Illinois a large body of public lands which had been in the market for very many years, and which, if not disposed of in the meanwhile, would, by the subsequent graduation act of August 4, 1854, have been reduced in price to 12½ cents per acre.

The grant was of the alternate, even-numbered, sections for six sections in width on each side of said railroad and branches, and the act provided—

That the sections and parts of sections of land which, by such grant, shall remain to the United States within 6 miles on each side of said road and branches shall not be sold for less than double the minimum price of the public lands when sold.

As the construction of the railroad followed with all due dispatch, the Federal Government not only lost nothing by the grant of the even-numbered sections, but actually gained; first, in the sale of the odd-numbered sections at a doubled price, and, secondly, through the settlement of the country. What this was worth in the preservation of the Union eleven years later is within the memory of all.

The act of Congress further provided that the railroad and branches should be and remain a public highway "for the use of the Government of the United States, free from toll or other charge upon the transportation of any property or troops of the United States."

During the four years of the civil war the operation of the railroad was utterly crippled by calls made upon it by the Government, and to this day all transportation for the Government has been at very material reductions, I believe 33½ per cent below rates charged to other shippers or travelers.

The act of Congress contained another material reservation, viz:

That the United States mail shall at all times be transported on the said railroad under the direction of the Post-Office Department, at such price as the Congress may by law direct.

The State of Illinois passed an act accepting this act of Congress, and in chartering the Illinois Central Railroad Company turned over to that company all that it had received from the Federal Government, *burdened with the conditions set forth in the act of Congress.*

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all future receipts from that source should be appropriated and set apart for the payment of the ordinary expenses of the State government.

I venture to submit a table showing in detail what the payments so made, year by year, by the railroad company to the State have been. They amount to \$22,730,529, and, excepting a slight decrease in 1904, have grown steadily for many years. In the last calendar year, 1904, \$1,062,571 was so paid, which, capitalized at 3½ per cent, gives \$30,359,196 as representing the State's proprietary interest in the railroad. This rate is taken because the company has not issued any bonds bearing a higher rate than 3½ per cent at any time within the past ten years, in which period it has, however, at different times, made three issues of bonds, bearing 3 per cent, to the aggregate amount of upward of \$15,500,000.

*Statement showing the proportion of gross receipts of the Illinois Central Railroad Company which have accrued and been paid to the State of Illinois, as provided in its charter.*

Year ended October 31—		Year ended October 31—Con.	
1855 .....	\$29,751.59	1881 .....	\$384,582.52
1856 .....	77,631.66	1882 .....	396,036.11
1857 .....	145,645.84	1883 .....	388,743.19
1858 .....	132,005.53	1884 .....	356,679.62
1859 .....	132,104.46	1885 .....	367,788.92
1860 .....	177,557.22	1886 .....	378,714.50
1861 .....	177,257.81	1887 .....	414,374.57
1862 .....	212,174.60	1888 .....	424,955.89
1863 .....	300,394.58	1889 .....	460,244.65
1864 .....	405,514.04	1890 .....	486,281.13
1865 .....	496,489.84	1891 .....	538,005.67
1866 .....	427,075.75	1892 .....	589,486.02
1867 .....	444,007.74	1893 .....	753,067.24
1868 .....	428,397.48	1894 .....	553,911.49
1869 .....	464,933.31	1895 .....	616,321.50
1870 .....	464,584.52	1896 .....	624,856.39
1871 .....	463,512.91	1897 .....	624,532.74
1872 .....	442,856.54	1898 .....	657,032.81
1873 .....	428,574.00	1899 .....	696,047.35
1874 .....	394,366.46	1900 .....	784,093.01
1875 .....	375,766.02	1901 .....	844,133.47
1876 .....	356,005.58	1902 .....	942,061.19
1877 .....	316,351.94	1903 .....	1,078,790.52
1878 .....	320,431.71	1904 .....	1,062,571.86
1879 .....	325,477.88		
1880 .....	368,348.66	• Total .....	22,730,529.53

\$1,062,571.86 capitalized at 3½ per cent amounts to \$30,359,196.

While it is not for me to speak in behalf of the State of Illinois, which has its representatives in the Senate and a most able and experienced one in this committee, I do venture to call your attention to the fact that the State's interest lies in the gross receipts of the 700 miles of railway which were built under the charter granted by it to the Illinois Central Railroad Company in 1851, and would be diminished by any reduction in rates.

That the people of the State have long appreciated the value of this their principal source of revenue, and the importance of safeguarding it, is shown by their having, in 1870, inserted into their constitution the following as the first of several separate sections:

Illinois Central Railroad: No contract, obligation, or liability whatever of the Illinois Central Railroad Company to pay any money into the State treasury, nor

any lien of the State upon or right to tax property of said company in accordance with the provisions of the charter of said company, approved February 10, in the year of our Lord 1851, shall ever be released, suspended, modified, altered, remitted, or in any manner diminished or impaired by legislative or other authority, and all moneys derived from said company, after the payment of the State debt, shall be appropriated and set apart for the payment of the ordinary expenses of the State government, and for no other purposes whatever.

In the statement of payments made by the railroad company to the State of Illinois, above referred to, it will be found that they increased very rapidly until 1865, but began to fall rapidly in 1872 and the years following. The company originally had a practical monopoly of transporting the produce of the rich prairie lands of Illinois, which had been developed by its construction, to Chicago for further distribution thence by water to the East, and of supplying the growing population of those prairies with such goods as were imported from the East by way of Chicago. Soon after the close of the civil war the trunk lines leading from the Atlantic seaboard began to get control of railroads tapping that territory at various points and to make from their points of junction with the Illinois Central the same rates to the Atlantic seaboard as prevailed from Chicago. The effect was to greatly reduce the revenues of the railroad company. In 1872 the company began to make advances to railroads in the Southern States leading from Cairo to New Orleans, and upon their default in interest after the panic of 1873 it acquired control of them through foreclosures made in 1877 and formally by lease in 1882, thus realizing the original plan of a continuous railroad from Chicago to the Gulf of Mexico, although not to Mobile.

On the 30th of June, 1885, Governor Oglesby approved an act bearing the somewhat extraordinary title "To increase the powers of railroad corporations." I remember very well a conversation had with the governor at that time, in which I promised him to go on and largely increase the capital of the company and its activities in Illinois and other States, and as a consequence the gross revenue on the old line and the State's 7 per cent thereof. That the company has fulfilled that promise is shown by the growth in its payments to the State from \$356,679 in 1884 to \$1,062,751 in 1904. This result has been brought about by the stockholders having in the meanwhile paid in \$66,040,000 in money, thereby increasing the capital stock from \$29,000,000 to \$95,040,000, and having also borrowed, in addition to the then funded debt of \$67,085,000, the further sum of \$84,287,275, thus creating a debt of \$151,372,275.

The act of the State of Illinois "To increase the powers of railroad corporations" was approved June 30, 1885, and contains this proviso:

*And provided further,* That nothing herein contained shall be so construed as to authorize or permit the Illinois Central Railroad Company to sell the railway constructed under its charter, approved February 10, 1851, or to mortgage the same, except subject to the rights of the State under its contract with said company, contained in its said charter, or to dissolve its corporate existence, or to relieve itself or its corporate property from its obligations to this State under the provisions of said charter.

The members of your committee, the members of Congress generally, and the people at large differ in opinion as to the wisdom of a high protective tariff, the majority holding that the country has thriven thereunder and the minority arguing that it has grown in spite of that burden. However this may be, no one will question that the exac-

tion of duties increases the cost to the consumer of all articles so taxed, much less will any one question that the constant and phenomenal growth of the country has been due to the absolute freedom of commerce which has prevailed among the several States. That Congress has power to regulate commerce among the several States can not be questioned, nor that in so doing it should, if it has not already, adopt means to prevent all sorts of injustice arising from any cause and covered under any disguise whatever. This, however, is a very different thing from fixing for the future the price of any commodity or of any service, and railroad freights and fares are either commodities or services.

Should the development of the country be left free and untrammelled, still greater revenues are in store for the State of Illinois.

The Hon. George F. Edmunds, for so many years a Senator from Vermont, recently wrote me as follows:

I do not think it necessary for the public interests to clothe any board at present with the general power to fix rates. The powers of the Interstate Commerce Commission and of the judicial branch of the Government (including in this description the executive duties of prosecution, etc.) provided for in the so-called Sherman law have been and are, I believe, entirely adequate to punish, and, in the main, prevent every one of the unjust and illegal performances of the railway management and of the private persons who have been or are parties thereto. A study of the history of the "Sherman Act," as shown in the Congressional Record and the journals of the two Houses, will show, I think, first, that Congress intended to prevent and to punish every unjust and unfair action both of railway managers and of private persons in connection with interstate and foreign transportation, and, second, that the law was entirely adequate to accomplish it if only the executive branch of the Government, including Attorneys-General, district attorneys, etc., and the strictly judicial branch would perform the plain duties that the law required of them. Every intelligent person acquainted with public and business affairs, I am confident, understands perfectly well that the evils that the act of July 2, 1890, provided for the correction of were left substantially unassailed, and continued to grow and expand until they have now reached a stage that compels attention, and will, if not speedily overcome, be visited with a heavy retribution.

I have expressed these views so many times during the last ten or fifteen years that it seems like supererogation to repeat them to you. What is really needed is not legislation but administration.

I desire to say that Senator Edmunds is in no way related to me or to the Illinois Central Railroad Company as counsel. I simply wrote to him on the subject as a friend.

Senator CARMACK. Are you going to discuss the question of differentials?

Mr. FISH. Not specifically, but I should be glad to answer questions on that subject according to my ability.

Senator CARMACK. That is a matter which the committee have considered, and we thought you would be likely to give us some light on that particular question.

Mr. FISH. I will get to it if I have time, and then shall be glad to be interrogated about it.

Senator CARMACK. That is one point that I think the committee would be very glad to hear you upon.

Mr. FISH. I should like to point out to the committee that the ownership of railways in the United States in the last twenty or thirty years has changed very radically, and rests today with our own people. They are owned by citizens of the United States. I can speak from personal knowledge in regard to the Illinois Central. In 1873 eighty-seven per cent of the stock of that company was held abroad, and

thirteen per cent at home; to-day twenty-one per cent is held abroad, and seventy-nine per cent at home. In the State of Illinois we have 1,165 stockholders, owning over \$11,000,000 of the stock, and over one-ninth of the whole amount of stock held by foreign and domestic holders. There are over 9,000 stockholders registered on our books who own a little more than half of the capital stock, and no one of them owns as much as \$50,000 worth. It is an ownership by small holders.

The CHAIRMAN. This is the distribution of the stock of the Illinois Central that you are speaking of?

Mr. FISH. Yes, sir.

The CHAIRMAN. Not the bonds?

Mr. FISH. No.

Senator MILLARD. The bulk of the stock of your company is in the hands of small holders?

Mr. FISH. Yes, sir.

The CHAIRMAN. You have a large bonded indebtedness bearing a low rate of interest. In your judgment, where are those bonds held?

Mr. FISH. The largest single holder that I know of is an insurance company.

The CHAIRMAN. You can not know where all of it is held, of course, because much of it is payable to bearer?

Mr. FISH. Yes, sir. That one insurance company holds, I think, in the neighborhood of \$7,000,000 or \$8,000,000.

Senator NEWLANDS. What is the entire bonded indebtedness?

Mr. FISH. About \$157,000,000. Three of the great New York insurance companies and the Connecticut Mutual hold a large amount of that, and much of the rest is owned by savings banks all through New England and the State of New York, those bonds being by law an investment for savings banks and executors and trustees under wills in New York and other States, and they are held in all sorts of lots, large and small. It is impossible, of course, to state who are the holders of the coupon bonds payable to bearer.

Senator NEWLANDS. What is the total stock?

Mr. FISH. Ninety-five million and forty thousand dollars, the shares being \$100 each.

Senator NEWLANDS. What is the entire mileage of the system?

Mr. FISH. Of the Illinois Central, 4,301 miles; of the Yazoo and Mississippi Valley, 1,162 miles.

Senator NEWLANDS. Your total number of stockholders is what?

Mr. FISH. About 10,000.

Senator NEWLANDS. How many employees are there in the system?

Mr. FISH. I should say about 45,000 on the two roads. It varies according to the season.

Senator NEWLANDS. So you have about 55,000 people interested in the road as employees and stockholders?

Mr. FISH. Yes, sir.

The CHAIRMAN. Then there are the bondholders also.

Mr. FISH. I do not look upon the bondholders as interested in the road. I look upon a bondholder as a creditor.

The CHAIRMAN. But if anything affects the road he would have an interest and you would very soon hear from him?

Mr. FISH. That is true.

Senator DOLLIVER. In building your extensions to Omaha and other localities, how were those extensions financed?

Mr. FISH. The particular one to Omaha was financed by the issue of bonds to the approximate cost of the road, bearing interest at 3 per cent. The bonds did not pay for the road, and the rest was furnished by the Illinois Central out of its treasury, its stock and earnings which had not been divided among the stockholders.

May I go on, Mr. Chairman? I do not want to cut off any questions, but my time is short.

The CHAIRMAN. Proceed.

Senator CLAPP. I think the committee is interested in the question of differentials so far as affected by the proposed legislation, or so far as the subject might be affected by the administration of the law within the scope of its provisions.

Mr. FISH. That will somewhat divert me from the line I have marked out.

Senator FOSTER. I suggest, Mr. Chairman, that we let Mr. Fish proceed as he has mapped out his argument, and then we can interrogate him.

The CHAIRMAN. If Mr. Clapp will consent.

Senator CLAPP. Certainly.

The CHAIRMAN. I should like to hear Mr. Fish state his objections to the particular bill under consideration.

Mr. FISH. I will come to that.

The CHAIRMAN. Then proceed in your own order.

Mr. FISH. All of the railroads in the country are owned by over 1,000,000 holders whose names are registered on the books as proprietors—corporations, firms, insurance companies, banks, trustees under wills, etc. There are employed directly by the railroads of the United States about 1,300,000 people. These are the owners and those directly interested in railroads, and besides those there are the makers of steel rails and other supplies who are interested in maintaining the largest possible revenue for the railroads, which is quite a different thing from the highest possible rates.

Senator NEWLANDS. You say that the number of stockholders in the railroads of the country is over 1,000,000?

Mr. FISH. I should say so.

Senator NEWLANDS. And that the number of employees is about 1,300,000?

Mr. FISH. Those directly employed.

Senator NEWLANDS. That would mean that the stockholders are almost as numerous as the employees themselves. Now, I call your attention to the fact that you said a few moments ago that the Illinois Central had about 10,000 stockholders and had about 45,000 employees. That would be quite out of the general proportion. How do you account for that?

Mr. FISH. That was stated rather roughly. I would rather state that the number of persons interested in railroads is about 1,000,000, without saying that such is the number registered on the books. I do not think there are that many registered. I think there are about 1,000,000 people interested as members of firms and corporations; indeed, more than that. I am glad you called my attention to that. That is a blunder, in consequence of having put that down hurriedly from a statement made to me yesterday.

The CHAIRMAN. Has there been any expression from the employees of railroads, so far as you know, or from any organization or considerable body, as to this legislation now pending before Congress?

Mr. FISH. No, sir; there has not been time to take it up, no opportunity to get opinions. We have had expressions of opinion from them on former occasions, and I have had intimations from individuals, but nothing that could fairly be considered as representing the general opinion.

The CHAIRMAN. Very well; proceed.

Mr. FISH. With regard to this proposed legislation, it seems to us that the demand for it, so far as there is a public demand, has been promoted directly by the Interstate Commerce Commission, for the members of that Commission have certainly put it in their reports, put it in published interviews, in signed magazine articles, and in public addresses.

Now, taking up the territorial question, which some of you have referred to as differentials, I should like to submit to the committee some maps which we had prepared sometime ago, showing the drainage basin of the Mississippi River, showing that in 1890 the center of manufacture was in Stark County, Ohio; the center of population was in Decatur County, Ind.; the center of wheat production was in Hancock County, Ill.; the center of corn production was in Lewis County, Mo., and the center of area was in Smith County, Kans.

In the sixth volume of the Twelfth Census, part 2, at page 24, is Table IX, showing the position of the center of corn production. It is there stated that in 1850 it was in west longitude  $81^{\circ} 43' 38''$ , and in 1900 in  $90^{\circ} 27' 6''$ ; the westward movement in fifty years being  $8^{\circ} 43' 28''$ , or say 523 miles; and at page 32, in Table XXI, the center of the wheat production in 1850 is given as in west longitude  $81^{\circ} 58' 49''$ ; and in 1900 in  $94^{\circ} 59' 23''$ ; the westward movement being  $13^{\circ} 0' 34''$ , or say 780 miles. That is to say, there has been a movement westward of corn production, running through those years, of something over 10 miles per year, and of wheat production of over 15 miles per year, and that seems to be a constant tendency.

Taking the report of the Interstate Commerce Commission, statistics of railways, we find with regard to the Gulf States, that Florida has 6.4 miles of railroad to every 100 square miles of territory; Alabama 8.7; Mississippi, 7.13; Louisiana, 7.68; Texas, 4.32.

Now let us take some of the other States: Illinois has 20.41; Iowa, 17.20; Massachusetts, 26.39; Ohio, 22.18; Pennsylvania, 23.8; Wisconsin, 12.81.

I have purposely omitted New Jersey and the District of Columbia, somewhat abnormal cases. I have tried to make a fair case on both sides.

Now, as to the contest of ports. We have had a free contest so far, and under this bill it is sought to put the power of fixing rates in the hands of a Government commission, which is going to hamper the contest and bring in, as controlling the situation, in lieu of supply and demand the world over, the ipse dixit of a Government commission. In the matter of grain, especially that which goes to Europe, we are hampered in the Gulf ports by the longer sea voyage than from New York and the Atlantic seaboard. Take New York and New Orleans as types: New York has great advantages over New Orleans in holding the good will of the business, the existing trade, in better banking

and exchange facilities, and all that; it also has the very great advantage of regular lines of steamers going and returning weekly, and when returning bringing a high class of merchandise to be shipped rapidly to the interior, on which expedition is of value to the consignee.

If the Government is going to take hold of this subject, the matter of distance inland must affect the situation. On this map the blue line running diagonally from northwest Wisconsin on Lake Superior through Chicago to Charleston, S. C., divides as nearly equally as may be the rail distances from New York and New Orleans respectively; everything to the west and south of that is nearer to New Orleans by rail, and, a fortiori, nearer to Galveston or other Gulf ports. We have a certain trade at New Orleans. For instance, I cut a slip from a paper a day or two ago which shows that for the week ending February 4 the shipment of corn from New Orleans to Europe was 2,421,981 bushels, and from all the ports of the United States, including New Orleans, in the same week 5,137,821 bushels; and that for the corresponding week last year the amount of corn shipped out of all ports in the United States was only 2,031,289 bushels.

The CHAIRMAN. The shipment from New Orleans being about half of that shipped from all ports?

Mr. FISH. Yes, sir; that is abnormal, of course. When the Government comes to take hold of this, if it does, it will have to consider not only the inland rate, but the foreign rate, the rate by ship to the point of destination in Europe, Bremen, or Liverpool, or what not. The price on the farm will be the European price, less the cost of getting it there. To-day the farmer of Iowa or Nebraska has a choice of routes; he may send by the Gulf ports or by Atlantic ports; if the Gulf ports happen to present the cheapest rates the farm products will go that way, and when Atlantic ports have the cheapest rates the products will then go that way. But the Government must take into account all the factors in the problem—the ocean freight, competition, European markets, the character of crops in Argentina and other foreign countries, as well as many other factors with which this Government is absolutely powerless to deal. This Government can not control ocean carriage after it gets outside the 3-mile limit, and the ocean carriage is a necessary part of the cost of getting grain from the locality where it was produced in the West to Liverpool or any other European port.

The CHAIRMAN. If the Government should delegate the proposed power to the Commission, would the Commission find any limitations that do not exist in respect to the railroads? The railroads are free. They do these things by consent of the shippers and among themselves. But if this power were put into the hands of the Commission would the Commission be limited to some uniform rule?

Mr. FISH. It would have to be limited in some way under the act of Congress.

The CHAIRMAN. This bill provides for fixing the rate. In fixing that rate what limitations would be upon Congress, if you please, in exercising its power through the Commission?

Mr. FISH. However they fix the rate, they can not fail to discriminate in favor of one place as against another.

The CHAIRMAN. Are you sure of that, Mr. Fish?

Mr. FISH. I am absolutely certain.

The CHAIRMAN. That is, it will discriminate in favor of a port in one State as against a port in another State?

Mr. FISH. They must do it.

The CHAIRMAN. Can you state to the committee just how that will happen?

Mr. FISH. I will try. The conditions are changing conditions; the crop conditions change practically every month of the year, and whereas the movements of our great cereals commence in July or August, yet Australia comes in with a disturbing factor. Then the European countries change their tariffs and their conditions; they give a bounty on imports or exports, as they choose. Then there are the conditions of war or peace. Suppose this war in the East were to stop, and these 400,000 Russians were to go back to their homes to cultivate wheat; that would have its effect on the next crop, not on this. The prices are changing in all these markets, and the rates of freight are changing on ocean vessels. The regular liners have something approaching a tariff, but then, there is the tramp steamer which takes a very large proportion of the tonnage, especially from the South. The Senator from Louisiana knows better than I do, probably, what that proportion is; those tramp steamers are free lances, and some of them are at New Orleans all the time; they try to get the best rates they can, but their lay time in New Orleans necessitates their taking such cargo as they can get and at any price they can get.

How can any five gentlemen here in Washington watch all those conditions and deal effectively with them? Freight rates do not cover merely the charge for carriage, but must be affected by the markets in every State. Some States have markets and some have none. For instance, Mississippi, as Senators know, has practically no market in the State; her markets are Memphis, Tenn., Mobile, Ala., and New Orleans, La. Yet justice must be done to Mississippi. Then the Pacific coast comes in. How are you going to balance things between the Atlantic ports and Gulf ports, between the Lake ports and the Pacific ports? It can not be done. On that I will stake my reputation for veracity. It needs no prophet to see that nobody can do it. Not only these Washington men can not do it, but nobody can.

The CHAIRMAN. You stated that the United States would have no jurisdiction over vessels on the ocean outside the 3-mile limit. Could not the Commission be invested with power to fix joint rates for both land and water? Could not the United States say that a vessel should not clear from any port in the United States unless its rates were so and so? After a vessel gets out on the broad ocean it can do as it pleases, but it seems to me that the Commission could be vested with authority to say to that vessel, "You shall not clear unless your joint rate from Chicago to Liverpool is so and so." I draw your attention to that as a matter of inquiry and I want information, perhaps more legal than practical, if you can give it.

Mr. FISH. I can not answer the legal question, but the practical part I can.

The CHAIRMAN. You said a while ago that we would have no jurisdiction to confer on the Commission the power of fixing a joint rate from Chicago to Liverpool, but might not the Commission say to a vessel, "You shall not clear from New Orleans or Mobile unless you conform to the rate which seems to us to be just and right?"



Mr. FISH. In answer to that, the effect again would be to discriminate against some port, because you have got to adjust the rate, not only with regard to wheat coming from the West, which we have been considering, but you have got to consider it with respect to the whole cargo and every item in it. Suppose a vessel has taken some cotton in New Orleans at the rate fixed by the Commission, are you going to be so unjust as to hold that vessel because another man has shipped another part of the cargo of that vessel at a wrong rate?

The CHAIRMAN. I do not think it will ever be contemplated to try to fix water rates, but I think it is contemplated to give the Commission power to take charge of the joint rates—land and water, lakes and coastwise.

Mr. FISH. The rate on the Great Lakes is a different proposition, because Congress has jurisdiction there; but it strikes me that if you attempt any regulation of rates on the high seas you will drive ships out of the business; that if they can go to the ports of other countries and get freights without such regulation they will go to other countries for their business, and there will be fewer ships coming to this country.

The CHAIRMAN. That seems to be a substantial and practical objection.

Mr. FISH. You will not fail to remember that we do not own the ships. There are almost no American ships engaged in this business. In New Orleans we never see the American flag flying from a ship going to Europe.

The CHAIRMAN. Unfortunately, you rarely see it in New York.

Mr. FISH. There are one or two American lines to-day from New York.

Senator CLAPP. Are they mostly Norwegian?

Mr. FISH. No. They are mostly English, some German, some French, some Spanish, some Danish, and a good many Norwegian. They are of all nations of Europe, and more Spanish than one would suppose.

Senator NEWLANDS. I understood you to say that the rates as to the great staples are necessarily varied from time to time according to the conditions, both domestic and foreign?

Mr. FISH. Yes, sir.

Senator NEWLANDS. And you say that a body of five men in Washington could not, with good judgment, meet these changing conditions, that nobody could do it? As a matter of fact, do not the traffic managers of the railroads meet that very question now?

Mr. FISH. No, sir; it is met for them. The traffic managers themselves have about as little power over the rates as Mr. Greely, the head of the Weather Bureau here, has over the weather. He reports what he finds.

Senator NEWLANDS. The railroad companies do have some people, however, who fix these rates, do they not?

Mr. FISH. They find a certain number of elements in the problem and then they work out the problem, that we can move a certain commodity at a certain rate; the conditions are such that in order to move it it is necessary to do certain things, and when we can do those things and meet those conditions then we contract to make that movement.

The CHAIRMAN. It is the conditions that govern?

Mr. FISH. The conditions govern.

Senator NEWLANDS. Is that done by the traffic managers of each system or association exchanging views?

Mr. FISH. There is an exchange of information rather than of views. That process is going on to-day in certain places with regard to certain kinds of business—as, for instance, in Memphis and New Orleans in regard to the cotton business.

Senator DOLLIVER. What machinery have the railroads now for deciding a controversy between shippers and carriers? Have the railroads any machinery for arbitrating or considering at length the differences between shippers and carriers as to charges?

Mr. FISH. Let me ask you, Senator, do you mean the difference between an individual shipper and a carrier?

Senator DOLLIVER. I do.

Mr. FISH. The individual, if he thinks himself overcharged, makes his claim, and that is worked out through the claims department. If the company admits the claim, the shipper gets his money back. If he is not satisfied with that, he sues the company.

Senator DOLLIVER. I am informed that just now there is a very sharp controversy between the shipping community and the railroads as to the charges and practices of the railroad companies, and what we are endeavoring to do, if possible, is to create some tribunal not interested on either side which shall act as a sort of judge between the public and the carriers in cases of controversy. Do you regard that as a feasible scheme?

Mr. FISH. Of course it may be feasible, but I doubt whether it is just. In fact, I think very strongly it is not just to the railroad companies to hale them into a special court, where other citizens and taxpayers are not taken. It is much more unjust, under the present scheme as modified by the bill under consideration, to give to Government officials these powers, for what you call the Interstate Commerce Commission is the prosecuting officer who investigates. The Commission then becomes the grand jury to which the presentment is made, becomes also the court of first instance, and their finding is intended to be *prima facie* evidence. That would not be tolerated in any other business in any other land. It is unjust. That there should be tribunals I agree entirely, but so far as there is any complaint I venture to differ from the Senator in this: that there is not, to my knowledge, any general complaint, nor has there been for a long time any complaint, with regard to rates, that they are excessive. What agitation has been had on that subject is factitious and fictitious absolutely. It has been promoted by interested parties, and it is very easy to see who those interested parties are, aside from the Commission.

Take the case of a middle man—and all shippers are middlemen—who has what he claims is an overcharge; he makes his claim against the railroad company; at the same time he sells his goods, adds the amount of his freight bill upon the selling price of his goods; that combined amount is passed on to the wholesale merchant, and then it is passed on (with his profit added) to the retailer, and from the retailer, with his profits added, it is passed on to the final consumer. The fellow who eats the loaf of bread made from the flour manufactured from the wheat is the fellow who pays the unjust charge that has been made for the carriage of wheat from South Dakota to Pillsbury's mill at Minneapolis; but who ever heard of one of these middlemen, when he

recovers the amount of his overcharge, returning one dollar of it to the fellow to whom he sold the flour or to the man who ate the bread made from the flour?

Senator DOLLIVER. If there is an habitual overcharge like that, ought there not to be some machinery by which the individual or company making the overcharge can be brought to judgment?

Mr. FISH. Yes, but I deny that it is habitual; it may happen occasionally. I can show you testimony of foreigners in regard to this matter. I have the testimony of Mr. Priestley, a British expert on railroad rates in Europe and India, who was over here making investigations on this subject. I would like to read to you, also, Mr. Chairman, a few words from a translation of one chapter of a book by Pierre Leroy-Beaulieu, who is the first writer on economic questions in France, and probably in Europe. His book is entitled "*Les Etats-Unis au XX<sup>e</sup> Siecle*"—the United States in the Twentieth Century. That chapter begins by considering the conditions of the United States and of the railroads, showing that in this country the railroads have created both the production and the traffic; that they have promoted the colonization of lands, which, without the railroads, would not have been cultivated for a very long time in view of the impossibility of otherwise transporting the products; and he winds up with this sentence:

If we wish to seek for models of railway operations, it is in the direction of American liberty that we must turn and not to sterile operation by the State.

The CHAIRMAN. Let that translation go into the hearing.

#### LES ETATS-UNIS AU XX<sup>e</sup> SIECLE.

By PIERRE LEROY-BEAULIEU.

[Literally translated from the original French.]

#### FOURTH PART—CHAPTER FIRST.

##### THE RAILWAYS.

Great as has been the part played by the railroads, and profound as may have been the economical revolution caused by their introduction, their importance has been greater in new countries than anywhere else. In the old countries of western and central Europe, with dense population, they commenced in their beginnings by collecting traffic already active, due to a production already intense. Of course by the market facilities they have afforded they have enormously increased this traffic and this production. In new countries, in great part uninhabited, much more extended and more rugged than Europe, they have done more. They have created both the traffic and the production; they have permitted the colonization of lands which without them would not have been cultivated for a long time, in view of the impossibility of transporting their products to distant points, and of obtaining from enormous distances many commodities necessary for life which could not be raised in these lands on account of local conditions being unfavorable to them. We may boldly say that without the railroads three-quarters of the immense territory of the United States, situated too far from the sea and having insufficient communication by rivers or lakes, would be still almost deserts, and would not play in the economical life of the world a more important part than Siberia did, for instance, before being lifted from her isolation by the Trans-Siberian Railroad.

Americans perceived from the very beginning the great importance of railways in the development of their country. As soon as they were put in possession of this marvelous implement they covered their country with it. Since 1850 the United States has been among the first of the nations of the world in the extent of its railways. It has possessed more than France and England put together. It has not

ceased to extend them with great rapidity, and since about 1860 it has had at all times more than the whole of Europe. The variety of traffic for which the railroads of the United States must provide, the necessity to which they are put to carry rapidly, at low rates and for very long distances, commodities, most of them bulky and of small value, while accommodating the local traffic, which is very great, as there are very few good public highways, has obliged the builders of such means of transportation, subject besides to a boundless competition, to seek for all possible improvements. Not being hampered by any troublesome regulations, free to venture all trials that might seem useful to them, they have devoted themselves to this work with remarkable success. They have taken and are still taking the initiative in many new inventions which are streaming from them through the world, or are destined to do so. It is for this reason that the study of American railways, which in their operation provide in addition one of the best means of cooperation with the industrial business of the United States, deserves particular attention.

According to the most recent report of the Interstate Commerce Commission, the official body to which is entrusted—rather loosely—the oversight of the operation of American railways, the total length of the system was in June 30, 1902, 202,472 miles, say 325,777 kilometers. This represents fully 40 per cent of the system of the entire world, which seems to be 760,000 kilometers. It is obviously more than the European system, which is 296,000 kilometers. Finally, it is seven times the French system. The following figures show the development of the American railways since their origin.

*Length of the American railway system to June 30 of each year.*

[In kilometers.]

1830.....	37	1880.....	150,000
1840.....	4,500	1890.....	268,000
1850.....	16,000	1900.....	311,000
1860.....	49,000	1901.....	317,000
1870.....	85,000	1902.....	325,777

The period in which the construction was the most active extends, as will be noticed, from 1870 to 1890. As soon as the wounds of the civil war began to heal Americans covered the States west of the Mississippi with railroads where the first transcontinental railway, the Union Pacific Railway, opened in 1864, was already extended. At the same time the States of the East where metallurgical industries and coal mining operations were beginning to take a great development, were multiplying the lines of their systems. The great and increasing receipts of the existing lines were inducing the building of competing systems. At the summit of the railway mania, the year 1887 alone saw the construction of 20,000 kilometers of railway lines, half of the present French system. Since 1890 all the great lines have been built. There are no less than six different roads which permit you to go from one ocean to the other. They moved even too quickly and outstepped the needs of the traffic, and in fact they were obliged to relax the rate of construction, especially after the great crisis of 1893, at which time a great number of railway companies failed. Nearly one-third of the American system was placed for a time in the hands of receivers. In consequence of this from July 1, 1896, to June 30, 1897, only 2,700 kilometers of road were opened. This was a minimum. Prosperity returned and for each of the three last fiscal years, 1899–1900, 1900–1901, 1901–2, they opened to traffic 6,520, 6,260, and 8,420 kilometers, respectively.

If we consider the area and the population of the country we see that the American systems represent 4.05 kilometers per square myriameters, and 41.5 kilometers per 10,000 inhabitants. The first of these two proportions naturally increases continuously as the area of the country remains invariable. The second one seems to have risen a little since 1899 when it was calculated at 41 kilometers, but it has decreased in comparison to 1893, when it was calculated at 42½ kilometers. It is probable that if we have to figure it for long periods it will tend to fall a little for the future. The population even to-day is very scattered on the greater part of the American territory, and very long lines are required to serve it. But in many parts of the West the railways may become sufficient, by an increase of rolling stock, for a greater traffic. It seems very probable that they will not extend their lines in proportion to the population that will settle along their lines. Regarding the East it will only require, in order to meet an increase of traffic, to double or quadruple the tracts on certain lines of the system extremely congested already. Taken as a whole in fact, not only by comparison with its population, but also in comparison to its area, the American system is far greater than the European, notwithstanding that in equal

area, the United States is four times less populous than Europe. For each square myriameter we figure in our old Europe only 2.8 kilometers of track, one-third less than in the United States.

Among all the States of the Union the State of Nevada, the least populated and the most arid, in fact a regular desert, is the least furnished with railroads. It has only 0.55 kilometer per square myriameter. It has, nevertheless, nearly as much as Norway, 0.7 kilometer per square myriameter, which is far better populated, but which we must also admit is admirably served by sea. Two other States only, Wyoming and Arizona, have less than 1 kilometer of railway per square myriameter; that is to say, their system is weaker than that of Russia, but these States also are really deserts and the greatest part of them will remain such. Their population is not one inhabitant per one square kilometer, while in European Russia it reaches 20. It is not to the whole of this last country that we should compare them, but to the most deserted provinces of the Tsar's Empire, to the sterile steppes of Astrakhan, or to the frozen lands of Arkangel. In the whole Union there only are ten States or Territories out of fifty which are less abundantly served by railroads than Spain and Portugal, which have 2.7 kilometers of road per square myriameter. But all these States have less than 4 inhabitants per square kilometer, while Spain and Portugal and many other countries which have fewer roads, such as the Balkan countries, have more than 30 inhabitants. In fact the less populated regions and those less endowed by nature in the United States are far better provided with means of transportation than many European countries which are more thickly inhabited and often more fertile. It is easily conceived that these greater facilities of communications in America have stimulated production.

In the same way that the less inhabited States of the Union are better served than the European countries which are sparingly or even moderately populated, the more advanced States have more railroads than any other country in the Old World, Belgium excepted. The latter having 22 kilometers per square myriameter, surpasses New Jersey, which leads in the United States and has only 19 kilometers for the same area. But we should consider that New Jersey has not quite 100 inhabitants per square kilometer, while Belgium has more than 200. Eight States have systems more congested than the United Kingdom of Great Britain and Ireland (11 kilometers per square myriameter) and none of these approaches the British Isles as to density of population. Fourteen States in all, including the eight preceding, have more roads in proportion to their area than France (8 kilometers per square myriameter). These fourteen States occupy the zone situated between the Atlantic, the Great Lakes, the Ohio and the Mississippi, and also Iowa beyond the river. All his region taken in equal area is but half as thickly inhabited as our country.

But if we take, on the other hand, the population as a basis of comparison the large, thinly inhabited States of the Rocky Mountains are in the first rank, while the industrial States of the East, having often a small area and a large population, come the last. In the same way in Europe, Sweden has the most railroads in comparison with its inhabitants, 24 kilometers per thousand. Only six States of the Union are behind Sweden—Maryland, on one side, and the five adjoining States, New York, New Jersey, Connecticut, Massachusetts, and Rhode Island, on the other.

Little Rhode Island, with its 7.7 kilometers per 10,000 inhabitants, has fewer lines in comparison with its population than France (11.5), Germany (9.5), Belgium (9.9), and the United Kingdom (8.6). The people of the 44 other States or Territories have at their disposal many more lines than those of any European country. Nevada leads with 349 kilometers per 10,000 inhabitants.

It is natural that being so well provided with railroads the Americans do not extend their lines with the same feverish activity as they did formerly, and it is without astonishment that we see that in 1894 and 1900 the miles of road opened for traffic in the United States were inferior in length to those opened by Europe, which is less well provided.

The fact which surprises us very much is that Americans think it useful still to build many thousands of kilometers each year, to the extent that in 1902 they again surpassed Europe for the length of new lines opened for traffic. This continuous construction would not be easily explained were it not often due less to necessity of serving new centers of traffic or of removing the congestion of certain old sections than to competition existing between the great American companies. These do not hesitate to build lines parallel to those of their rivals situated only a few kilometers and some times only a few hundred meters apart, if they believe that they may find some direct or indirect profit, were it only to obtain traffic with greater certainty over their main lines.

It is especially in the agricultural regions of the West between the Lakes—Illinois, the Mississippi, and the one hundredth degree of longitude west—which marks the

beginning of lands with insufficient communication by water that the American lines have been extended since 1900. This part shows 5,000 kilometers constructed, or rather more than half of the total extension in 1901-2. The Pacific States and those of the Rocky Mountains come next, with 1,000 kilometers for this last fiscal year; and the group formed by the six Southern States—Kentucky, Tennessee, Georgia, Florida, Alabama, and Mississippi—have almost an equal amount. On the contrary, in the East and Northeast the increase in the systems naturally has been very small, and in some States none at all.

We have seen the great growth of American railways. What use is made of them? What is the traffic of this immense system? It is very large. The tonnage carried by all the American railways in 1902-3 rises to 581,832,000 tons. This is a little less than that of the two preceding fiscal years when it rose to 583,000,000 and nearly 594,000,000 tons, but it is more than 1898-99, when it was only 510,000,000 tons. We refer to real tonnage without double use. It is obtained by calculating for each company the real tonnage loaded on cars on its own system. If we should calculate in this country (where the systems are very much mixed, and in consequence numerous loads pass over many systems), the total tonnage which runs on the tracks of the different companies we would reach the amount of 1,200,000,000 tons, which would not after all have a great meaning. On the whole, of the real tonnage, 304,000,000 were furnished by mining products (this is more than one-half), 68,000,000 by forest products, 54,000,000 by agricultural commodities, 15,000,000 by live stock, 84,000,000 by manufactured goods, more than 56,000,000 by miscellaneous articles, most of those being also manufactured goods. We may see by that what an important traffic the mines assure to the railroads. This is also one of the causes of the inferiority of traffic on most of our French systems (which are carrying only 110,000,000 tons) caused by the poverty of our subsoil.

In regard to travelers it has been impossible to obtain the exact figures of their transportation.

We have only the rough figure of 649,878,000 passengers, in which each one is counted as many times as he has traveled on different lines, which is frequently many times.

On the other hand, it is possible to establish exactly the number of kilometers traveled by all these travelers and all the tons of merchandise. As each company calculates the number of kilometers traveled over by each passenger or tons on its system, we have not here a double statement.

American railroads have carried for the last fiscal year over 253,000,000,000 ton-kilometers, and 31,700,000,000 passenger-kilometers. These figures are constantly increasing. For 1901-2 the increase is 12 per cent for the passengers and 8 per cent for the tonnage in comparison with 1900-1901. At the most critical moment of the last economical crisis, in 1893-94, the amount of tons-kilometers fell to 128,000,000; that of passenger-kilometers to 19,000,000,000. Before this crisis the first figure had attained a maximum of 149,000,000,000 and the second 22,600,000,000, in 1892-93.

The truly enormous progress made by the traffic of the American railways during the last ten years shows how greatly both production and wealth have increased in the United States.

If we compare this traffic to that of the European systems we observe a very curious and important fact. The number of tons forwarded by railways is nearly five times greater than in France—582,000,000 against about 125,000,000, which means that an American forwards on an average twice and a half times as many goods as a Frenchman, since the United States has almost exactly double our population.

On the other hand, the number of passengers is proportionately less in the United States than in our country. While in France more than 400,000,000 passengers have been carried in the course of 1902, there were only 639,000,000 in the United States. As the population of France is a little less than 40,000,000 and that of America nearly 80,000,000, every Frenchman travels ten times a year by railroad and every American eight times only.

This is a surprising statement and one which seems to be the reverse of what would be generally expected. It is easily explained, however. This smaller movement of the Americans is only apparent. In fact they travel more than we do. They have an extremely improved system of electric railways (the statistics of which are not included in the above figures), and which monopolizes the suburban traffic and even the interurban travel between neighboring towns.

Massachusetts, for instance, which is exclusively an industrial State, where most of its population is urban, has a greater length of tramways and electrical railways than of steam railways.

Consequently the latter lose in the United States a very great part of a service which in France, and generally in all countries, includes the largest number of passengers, who are actually more numerous in America than in our country.

If it is true, as has been said, that progress for society, as well as for men, consists in the differentiation and the increasing specialization of organs, the establishment of these special methods of transportation for short distance movements at very short intervals of time is certainly progress. It relieves the real railroads of a service which disturbs their principal business and which is difficult to handle economically and permits them to bring to a higher degree of perfection the transportation of persons to ordinary and long distances and the forwarding of merchandise, which is their essential domain.

Passengers and merchandise naturally move much longer distances than in France, an average of 48 kilometers per passenger, which comes near to the average of the Lyons-Orleans and the southern systems of France (47 and 46 kilometers), which have a small suburban service. But this is far greater than the average of the western, eastern, and northern lines of France (22, 26, and 28 kilometers), where the suburban service preponderates.

We must always consider that this covers only the traveling of one passenger on one road, and that if he uses other systems his real journey is longer. In order to obtain this we must increase the figures and raise them in the United States more than in France. The average distance a ton is moved, taking into account all the systems it uses, is also far longer in the United States; it is more than three times that of France—433 kilometers against 142. This difference explains itself on account of the difference of area of the two countries and of the enormous distances which separate many agricultural or mining regions from the great centers of consumption, or from the seaports. This is advantageous for the American railways, as the expenses required for loading or unloading, which are the same for any distance, assume a less proportion of the cost of operation when the distance is longer.

The traffic of the American systems is therefore quite different from the traffic of the French systems; there is proportionately more freight and less passengers. In order to point out how great this difference is, let us revert to the figures of passenger and ton kilometers. The number of passenger-kilometers on the American railways attained in 1902 to 31,700,000,000. In other words, that was the total number of kilometers traveled over by all the passengers in the course of the year. The average length of the systems on which these passengers traveled is 319,000 kilometers. It follows that an average of 99,000 passengers have traveled over each kilometer. Our six great French systems reckoned in the same year 12,500,000,000 passenger-kilometers for 34,000 kilometers of line, which equals 370,000 per kilometer. This is nearly four times as many as in America.

On the other hand, 253,000,000,000 ton-kilometers have been moved in the United States. This shows that 793,000 tons have been moved over each kilometer of the American lines. The six great French systems forwarded only 15,500,000 ton-kilometers; that is 456,000 tons per kilometer. This is scarcely more than half of the figures attained in the United States. Much fewer passengers, a great deal more freight, in proportion to the length of their lines. These are the features that distinguish the American railroads from the French railroads.

If we lay stress on the different conditions which exist on the French and American systems, it is on account of the importance of keeping them in mind when we reach the question of rates. The importance of the transportation of merchandise and the length of the distances traveled permit the American railroads, all other things being equal, to give concessions to shippers which can not be made by the railroads of our country. Besides this, the low price of coal lessens to a great extent the cost of operating expenses, and finally the abundant supplies of common merchandise, like coal, minerals, raw agricultural products, which being shipped by full carloads necessitate less handling, contribute still more to the reduction of expenses.

Having thus presented the part which natural advantages have in reducing the tariffs of the American railroads below ours, it is just to add that the skillful management of the transportation companies, the ingenuity of the operators, the technical improvements they have introduced, and their commercial skill have highly contributed to reduce the tariffs to the very low rates to which they have fallen in the United States. The average receipts of the American systems per ton and per mile (1,609 meters) in 1902 was 0.757 cent, the cent being the hundredth part of a dollar, which is worth consequently 5.18 centimes. This represents 2.43 centimes per ton-kilometer. In France the average tariff is nearly double, which does not mean that it is double for the same class of goods, because the proportion of dear and high-class commodities, on which consequently a heavy rate is charged, is far greater in our shipments. American tariffs have decreased a great deal during the last ten years. In 1902 the average was 2.009 centimes per ton-kilometer; in 1899 it fell gradually to 2.003 centimes. Since then, under the impulse of general prosperity, prices and *profits have increased*, the companies have raised, considerably, the salaries of their

employees, and they also thought that they could increase their tariffs to some extent. Such an increase would hardly be permitted in Europe. But in the United States, where railroad operation is more strictly commercial, they make certain allowances to the customer in time of depression when he can not pay high prices, as in 1893-1897, with the option of asking him a little more in prosperous times when his purse is better furnished and when tonnage is very great. When it has become customary, this manner of dealing is perhaps preferable, since it reduces the price of transportation when the selling prices and the commercial profits are diminishing. This does not prevent, however, a general tendency toward the reduction of rates, which manifests itself in a most apparent manner, as noticed when we were considering long periods of time.

As the tariffs fluctuate according to circumstances, so also they vary in different sections of America on account of the quality of the commodities transported, the price of fuel, the rate of wages, and the density of the traffic. Among the ten territorial groups between which the Interstate Commerce Commission divides the United States, the one that has the lowest average tariff is the third group, which comprises the section between the Ohio and the Great Lakes, the States of Indiana, Ohio, the southern part of Michigan, and the western end of Pennsylvania. This is the region of foundries and cheap coal. The traffic is very great and the average product of the ton-kilometer does not exceed 1 centime 9 mill. In the fourth group, with Illinois, Iowa, Wisconsin, upper Michigan, and Minnesota, the greater part of the two Dakotas, where fuel is also cheap, where they handle along with the cereals much coal and mining products, the tariff is also very low, 2 centimes 1 mill. The same fact is true for the second group (New York, the greater part of Pennsylvania, New Jersey, and Maryland), where the transportation of coal, anthracite, and metallurgical products predominates, and where fuel is also cheap. Everywhere else the tariff is above the general average of the country. It is considerably above 3 centimes in all the region situated west of the Missouri and of the lower Mississippi, that is, in more than half of the country. At the opposite end of the country, in the group of the New England States, where the industries are more diversified, and produce articles of a higher finish, and where coal is dearer, it reaches 3 centimes 8 mill. This is almost the average of our northern system (4 centimes) which is, however, the lowest rate on the French railways.

If American rates are very low for merchandise, they are, or at least they appear to be, high for passengers, for which the average receipts are 6 centimes 4 mill. per kilometer, while it falls below 4 centimes in France. We must also observe that in the receipts of the American companies there is not included the extra charges paid for parlor cars and sleeping cars, which belong to private companies, most of them to the celebrated Pullman Company. But as there is only one class in the United States, except on a few lines in the West, these parlor cars and sleeping cars replace not only our "palaces de luxe," but also our first-class cars, and many important express trains are composed exclusively of such cars. If we should calculate these extra charges, the amount of which is considerably more than those paid in France, to the *Cie des Wagons-Lits*, we should have to still more increase the figure given for passenger rates in America.

The tendency to decrease is less conspicuous for these rates than for merchandise. In 1892 the rate was 6 centimes 8 $\frac{1}{2}$  mill. and in 1899 the lowest was 6 centimes 2 mill. This higher rate is explained in the first place by the greater cost in America of everything directly or indirectly connected with personal services and next by the smaller amount of suburban traffic for which the rates in France are very low on account of the extremely reduced prices made to the commuters, while, as we have said, this service is performed by the suburban electric railroads in America.

But let us return to merchandise, which constitutes to a great extent the principal traffic of the American systems. How can they successfully carry it at such low rates? The answer is very simple. It is on account of the excellent adaptation of the rolling stock to the requirements and by a perfect use of this equipment. The railroads in the United States possessed in 1902, according to the report of the Interstate Commerce Commission, 41,225 locomotives, 36,987 passenger cars, 1,546,101 freight cars, and 57,097 miscellaneous cars. This rolling stock has been largely increased these last two years, since in 1894 it was composed of 35,492 locomotives, 33,018 passenger cars, 1,205,169 freight cars, and 39,891 miscellaneous.

It does not seem enormous at first sight when we compare it to the rolling stock in service on the six great French systems, whose lines are one-ninth in length, and which possess 10,000 locomotives, 26,000 passenger cars, and 260,000 freight cars. But the difference between the capacity of the American cars and that of the French cars is far from being expressed by these figures. The American cars are long boxes, placed on bogies, an idea of which can be given by regarding the large first-class



corridor coaches with seven divisions introduced recently on most of the great French systems, which are of the same shape. While in France we have still generally cars of 8 and 10 tons, the average capacity of American cars is 28 tons (short tons of 2,000 pounds or 901 kilograms), which is more than 25 metric tons. The total capacity of these 1,546,000 cars is, therefore, 38,000,000 metric tons. There are only 57,000 cars of less than 40,000 pounds capacity—that is, less than 18 tons—and their total capacity is only 2 per cent of the whole. On the other hand, the cars of more than 27 tons have a total capacity of 26,000,000 tons, in other words, more than two-thirds of the whole, and among these there are 150,000 thirty-six to forty ton cars, having a carrying capacity of 2,250,000 tons.

The capacity of these last two classes together forms therefore 21 per cent of the entire carrying capacity of the American rolling stock. These cars with such large capacity facilitate operation very greatly. With the same gross load a train composed of such cars carries much less dead weight than a train composed of small cars, and thus may carry a greater paying load. Besides it is of much less length, as there are less couplers, and for this same reason it can be better handled. It is on account of the use, more and more common, of these large cars that Americans have been able to increase enormously the weight of the goods carried by each train. In 1902 it was 296 tons, against 281 in 1901 and 270 in 1900. In 1897 it was only 264, and in 1892 181 only. By this increase in the load of each train they have succeed in taking care of a much larger traffic, while increasing but very little the number of trains. That is to say, by increasing very slightly their expenses for wages of employees and relatively little for the cost of fuel, although the necessity for carrying heavier loads has led naturally to the construction of more powerful locomotives consuming more coal.

The number of kilometers traveled by American trains was 800,000,000 in 1902, against 787,000,000 in 1901, 780,000,000 in 1900, 812,000,000 in 1899, and 807,000,000 in 1898. So, since 1899 the goods tonnage carried on the American systems has increased 14 per cent (510,000,000 to 582,000,000 tons), and the amount of ton-kilometers has advanced more than 25 per cent (123,000,000,000 to 157,000,000,000 tons), while on account of the larger load of the trains the number of train-kilometers has diminished. This is truly a great masterpiece of operation. If we go back to 1892, we see that the number of ton-kilometers was 88,000,000,000. It has therefore increased since that time by more than 80 per cent. On the other hand, the number of train-kilometers was 776,000,000 then, and that has only increased 3 per cent. Truly extraordinary progress has thus been realized during this interval.

The service of American railways included, in 1902, 1,189,000 engineers and employees and workmen of every rank. It is less in comparison to the extent of their lines than the staff of the French railways, which surpasses the figure of 250,000. This staff has much increased in number during the past ten years.

In 1893 it was composed of 875,000 persons. In 1894, under the influence of the dull times, it fell to 779,000. Later it rose little by little, but did not reach the figures of 1893 until 1898. Since then, the traffic having increased very rapidly and the companies having made many improvements, which had been awaiting better times in order to keep down the expenses to those absolutely necessary during the depression, the number of employees has increased more than one-third in four years.

We find here also the same method of operation as the one we were speaking of with regard to the rates.

The wages have increased during these four years more even than the number of the staff, passing from \$495,000,000 in 1898 to \$676,000,000 in 1902.

Among the 1,189,000 persons employed by the railways 41,000 are working in the general offices, 399,000 upon maintenance of way and buildings, 228,000 on the maintenance of rolling stock, 518,000 on operation properly so called, and 2,000 in various positions. The men working on the tracks have increased the most since ten years ago, and especially in the last four years, because of the work of all kinds required on account of the increase of traffic or adjourned in the period of the dull times of 1893 and 1897. The gross receipts of operation have increased to 27,890 francs per kilometer, against 23,200 in 1892 and 19,600 in 1895 and 1897, in which years they were the lowest. The operating expenses are 18,000 francs to-day instead of 15,500 in 1892 and 15,200 in 1895 and 1897. Their movement has followed almost exactly that of the earnings.

The coefficient of operation is 64 per cent, which is considerably more than in France. The gross earnings are also much less in America than in our country, where they rise above 40,000 francs per kilometer for the large companies. This is not astonishing on account of the enormous difference between the density of the two populations, 73 for the one and 10 for the other.

What is now the financial result of the operation of the railways of the United

States? The account of losses and gains of the whole system shows as follows, according to the reports of the Interstate Commerce Commission:

[In millions of dollars.]	
Gross receipts of operation.....	1,736.4
Income from investments.....	33.0
Total gross income.....	1,769.4
Operating expenses.....	1,116.2
Miscellaneous expenses.....	.5
Total expenses.....	1,116.7
Net income.....	652.7
Interest on bonds.....	260.3
Sundry debts.....	7.7
Taxes.....	54.5
Total fixed charges.....	322.5
Amount to be disposed of.....	330.2
Dividend on shares.....	157.2
Amount remaining for improvements on road, rolling stock and surplus.....	173.0

From this last item \$35,000,000 have been used for the improvement of the tracks, \$5,000,000 to cover the deficit of the weak lines, \$38,000,000 have been employed in various ways, and \$95,000,000 constitute the real surplus—the sum held for reserves, etc.

This shows that the financial situation of the whole American system appears to be very healthy to-day. When the operating expenses and the taxes are paid there remains a gross balance of nearly \$600,000,000, \$268,000,000 of which are absorbed by the interest on the debt. There remains still an excess of \$330,000,000, less than half of which is used for dividends. The bonds have, therefore, a large margin and must be considered as being in general very well guaranteed. Their entire total exceeds \$6,000,000,000; their interest as paid then averages  $4\frac{1}{2}$  per cent. As to the shares, the entire total of which is \$6,000,000,000, their dividend is hardly more than  $2\frac{1}{2}$  per cent, but a large amount of them, especially of the common shares, do not represent money really invested. Besides, there are many which are stated in duplicate, as a large number of the great companies own the majority and sometimes even the entire amount of the shares of smaller companies.

On the whole, the prosperity of the American system, as well as the excellent condition of its service, is undeniable.

If we wish to seek for models of railway operations it is in the direction of American liberty that we must turn, and not to sterile operation by the State.

MR. FISH. May I give also in this connection the opinion of Mr. Priestley, sent here by the government of India? Mr. Priestley says in his report:

The present prosperity of the United States of America is to no small extent due to the low rates charged for transportation.

SENATOR FOSTER. How do the freight rates in this country compare with the freight charges in those countries where the railroads are under the control of the Government?

MR. FISH. Precisely that comparison I have not made, only I know they must be lower because ours are lower than in any other country of the world.

SENATOR KEAN. About half?

MR. FISH. I should say about half.

SENATOR FOSTER. You have no statistics on that subject?

MR. FISH. I have a little pamphlet here somewhere on that subject, not my own.

Senator NEWLANDS. You were saying that these matters are arranged by the traffic managers upon information received from each other, that each acts according to his own judgment upon that information. Take this entire area of the Mississippi watershed tapped by New Orleans; how many traffic managers in that entire region act in that way?

Mr. FISH. They act together in groups. There is very little traffic in New Orleans except that which may be called local. The traffic managers are not located in New Orleans; the traffic men there are subordinate officials, freight agents, etc. In the great centers, like Chicago, most of the railroads operating for that territory have their general offices; and quite a number have them in St. Louis and in Minneapolis and St. Paul.

The CHAIRMAN. Is it not a fact that most of the roads reaching Chicago have their offices there?

Mr. FISH. Yes. Mr. Stubbs, of the Southern Pacific, has his office there.

Senator NEWLANDS. How many men are engaged in that kind of work—the more important work, not the details—in that region?

Mr. FISH. Each company has one chief of its traffic department, who is either vice-president or traffic manager. Mr. Stubbs's title is traffic director.

Senator NEWLANDS. Do you think there are 20 in that entire region?

Mr. FISH. Oh, yes; there are 24 railroads reaching Chicago.

Senator NEWLANDS. But many of them belong to one system, do they not?

Mr. FISH. I mean railroads operated independently, as independently as the Lake Shore was of the Michigan Central when they were in active competition with each other. Such competition in traffic was intense up to three years ago.

Senator NEWLANDS. But that competition has been diminished through various arrangements, community of interest, etc.?

Mr. FISH. Yes, sir.

Senator NEWLANDS. Do you suppose the number would be 50?

Mr. FISH. No; I do not think it would be over 50 in the Middle West.

Senator NEWLANDS. Assuming that we should organize a tribunal of this kind to act upon this matter, could not the United States out of those 50 men get 5 experienced men who could act upon these matters as intelligently, getting their information in the same way, as the men who now act?

Mr. FISH. I do not think they could, because they would have to consider an entirely different set of questions. For instance, the traffic manager of the Illinois Central is looking out for the interests of that road and the country served by it; he does not bother himself about New England, or about the extreme Pacific coast or Mexico or Canada; on the other hand, the Michigan Central runs through Canada, and the Southern Pacific runs into Mexico, so the Michigan Central must consider the conditions in Canada, and the Southern Pacific must consider the conditions in Mexico, as well as other conditions. But any tribunal formed under this bill must consider the conditions of the whole United States.

Senator NEWLANDS. Not necessarily. I can understand that if you

could logically divide the United States into different transportation sections you might have proper transportation for each community.

Mr. FISH. But our Congress is limited by the Constitution against discriminating among ports. If you will give me a body that will look out for New Orleans that will be all I want.

Senator NEWLANDS. You would not object to that?

Mr. FISH. Not if they will work for New Orleans; but I do not think New York would like that.

Senator DOLLIVER. You speak of the present rates to New Orleans being abnormal; to what do you refer?

Mr. FISH. I refer to such rates as were recently made on grain from Nebraska.

Senator DOLLIVER. Is the Illinois Central participating now in grain freight to New Orleans?

Mr. FISH. Yes; a little. We do not carry it if we can help it.

Senator DOLLIVER. Do you know what rate has been fixed from Omaha to the seaboard and New Orleans?

Mr. FISH. Not specifically; I have heard that it is 11½ cents to Baltimore.

Senator DOLLIVER. Are you familiar with the changes that have been made in the intermediate rates to those ports as compared with the whole rates?

Mr. FISH. No. They would be affected by it necessarily.

Senator DOLLIVER. For example, if you were making a rate from Omaha to New Orleans, what changes would be made in the rates of places situated as are Waterloo and Dubuque?

Mr. FISH. I suppose as soon as that business was moving, the rates would have to be reduced. But, frankly, I do not follow the rates, as you can see; that is not my province. I should be glad to have our traffic-department people come here and give you all that.

Senator DOLLIVER. I am informed that places east of Omaha ship their products to Omaha for a sort of running start to New Orleans or to New York, so that they ship half across the State of Iowa to Omaha to get a starting point for that favored rate. I wanted to inquire a little about that. That is a subject that very much interests that community.

Mr. FISH. I doubt about that being the case. Are you sure of that being done, Senator?

Senator DOLLIVER. I have a letter to that effect—not as respects the Illinois Central. The writer told me that they were sending freight from Dennison, Iowa, to Omaha in order to get a good square start to New York.

Mr. FISH. That may be done under some sort of theoretical adjustment.

Senator FOSTER. You stated, I believe, that you wanted to direct your attention especially to some particular objections to this bill.

The CHAIRMAN. I should like to hear Mr. Fish as to the difficulty of settling rates between railroad companies and communities under the power proposed to be lodged in a commission under this bill; for instance, what effect it would have on Atlantic coast communities as against western communities.

Mr. FISH. The contest among communities is of course a contest for all time. If the rates could be adjusted so as to do absolute equity as

between communities, giving to each hamlet and town and city the advantages of its position to-day, what motive would there be to attempt to develop any one of these localities as regards freight rates? It has its share; it can get no more. You have taken away the stimulus. As it is to-day every town in the West and South, the more rapidly growing parts of the country, less thoroughly developed parts of the country, is hoping to be a metropolis; every one has its ambitions high, is seeking business, and is getting it.

To illustrate those inequalities between cities I had written to several officers of our company asking them to tell me what the people complained of. A week ago I received a reply saying that the people were complaining of inequality in the rates, and this instance was given me, that the rate from Omaha to Minneapolis on wheat was practically the same as the rate from Kansas City to Minneapolis, a greater distance. That looked unjust on the face of it. The same mail brought me a letter from another of our men, who took the Kansas City point of view. He says the rate on packing-house products from Omaha, into the southeast territory (Mississippi, Louisiana, Alabama, Georgia, and South Carolina), is the same as from Kansas City, although the distance from Kansas City is less. Each of those instances is, on its surface, an inequality. But each man from his locality is complaining of the thing he does not like and saying nothing about the thing he does like—you will never get that out of him. And so it is all over. We are perfectly satisfied when we get what we want. I am perfectly satisfied when I have a good crop unless I see my neighbor has had the benefit of planting and reaping something that I had not sense enough to plant, and then I am not satisfied.

Senator DOLLIVER. There is no element of malice or prejudice entering into this rate, is there?

Mr. FISH. None whatever. The point with the railroad manager is to get the most he can out of his own traffic.

Senator DOLLIVER. Is there any tendency among traffic managers to build up great cities and ignore the industrial interests of smaller communities?

Mr. FISH. No, sir; but there is a physical law which governs the whole universe, the attraction of the greater mass. That manifests itself in this business in the fact that the wholesale business is done more cheaply than retail business. We have been trying for twenty-five years to get New Orleans where it was before the civil war. In two of the three years, 1858, 1859, and 1860 the value of exports from New Orleans exceeded the value of the exports from New York, and that was not due to abnormally high prices of cotton. That is what we are now aiming to get back. We are entitled to our share of that business in the Mississippi Valley.

The CHAIRMAN. Are not the physical conditions such that you could almost start a barrel of flour at Minneapolis and have it roll down hill to New Orleans, but on the other hand it would not roll over the Allegheny Mountains?

Mr. FISH. It would not; it might go down the Mohawk Valley.

Senator NEWLANDS. What is the difference in distance?

Mr. FISH. Minneapolis is nearer to New Orleans than New York is.

Senator NEWLANDS. How about Chicago?

Mr. FISH. Chicago is exactly the same distance from New Orleans, *912 miles*.

Senator NEWLANDS. Is the rate for these great staples from Chicago to New Orleans less than from New York to New Orleans?

Mr. FISH. No, sir; I think they are about the same. That is my impression.

The CHAIRMAN. Do not the railroads make more money carrying freight from Chicago to New Orleans than from New York to New Orleans, having less to contend with?

Mr. FISH. There is less to contend with, but on the other hand there is the Pennsylvania Railroad from Chicago to New York, a short line, a four-track road the greater part of the way, and it has a tremendous tonnage, especially in coal.

The CHAIRMAN. Could not the Illinois Central make more money out of its haul to New Orleans than the Pennsylvania could out of its haul to New York?

Mr. FISH. I do not know about that. Our expenses on account of terminals are less, of course. I think we are destined in the Gulf ports to take the coarse raw grain, lumber, bulk cotton, and things that take up space, because land is so cheap and the cost of terminals is so small.

Senator DOLLIVER. How do you establish the lumber rates from the southern lumber country on your road to the upper Mississippi country?

Mr. FISH. I do not know exactly how they are established. I know I had a great deal of trouble about that matter last year before the Interstate Commerce Commission.

Senator DOLLIVER. I have received several communications from people who once did lumber business in Iowa, stating that the lumber rates from points in Louisiana, I think, and possibly from Mississippi, have been greatly increased.

Mr. FISH. They have advanced 2 cents per hundredweight, and we have been under trial before the Interstate Commerce Commission in regard to that. For myself and others interested in that subject I justified that increase on the ground that the price of everything we have consumed has increased. On coal, iron, wages, and lumber itself the price has gone up, and the value of lands has gone up. We are large consumers of lumber as well as large carriers of it, and we have advanced rates, and those rates have been under investigation a long time. I do not think the Commission has yet decided the case. We tried to justify our advance, but of course I do not know whether the Commission in its decision will justify that increase or not.

Senator DOLLIVER. The Commission has no power to decide it now and order you to pay a certain rate.

Mr. FISH. They can decide that we charged too much, and we must reduce. They can not compel us to reduce to a specific amount, but they can compel us to reduce.

Senator DOLLIVER. If they decide that your rate complained of was unreasonable, without undertaking to order you to charge what would be a reasonable rate, what would be the course of your road in relation to that finding or opinion?

Mr. FISH. We would consider whether we could afford to haul at the reduced rate. If we could not afford it we certainly would not do it. We could not. You can not get blood out of a turnip. You can not make a man work for nothing.

Senator DOLLIVER. There is an acute controversy pending between the lumber interests and the carriers, we will say; and what we are trying to do is to get somebody whose judgment would be binding upon all parties to that controversy. Suppose there is a controversy between one of your shippers and your road which you can not adjust between yourselves. Is it wise for the Government to let a controversy of that sort go on without decision, each party telling the other that he will not do what is desired and fighting about that rate, with no tribunal existing anywhere with jurisdiction to hear it and in an unbiased way determine it? That is the question we have to deal with.

Mr. FISH. If those gentlemen will go with us into the Federal courts and state their whole case, showing what they paid for those lands, what they are worth to-day, what they have been made worth by the transportation facilities we have afforded them, we will meet those shippers in the Federal courts, where I think justice can be done between us. I remember when that land was offered at 33 cents an acre, and some of it was bought at 12 cents. What is it worth to-day?

The CHAIRMAN. If the power were given to fix rates which the railroads thought too low, then the railroads might say that they had not the cars, or would they say that they would not haul because they would lose money by it?

Mr. FISH. They could not haul at a loss.

The CHAIRMAN. You said a while ago that we can not compel a man to work for nothing. Suppose the rate on fruit from California is fixed at too low a figure, and the railroads refuse to haul it. Fruit is perishable, is it not?

Mr. FISH. Yes.

The CHAIRMAN. Suppose the railroads do not say outright that they will not haul, but simply content themselves with saying they can not furnish the cars. There is no power provided in this bill, or attempted to be provided, to compel the railroads to haul. Of course there is the law of common carriers that they must haul promptly. But suppose the railroad people say we won't send our cars to California, because we can make more money by keeping them here. The power is proposed to be given by the Esch-Townsend bill to fix a rate, but the power to enforce that rate is not given, and the railroad might think it better to fight it out in court. What have you to say about that?

Mr. FISH. You can not do it. You can make a railroad operate for a while at a loss, but you can not compel a railroad to continue to do business at a loss. If it observes the rate fixed by the Commission and loses money by it, it will make up that loss by overcharges on other freights, and then you would be creating a worse injustice or the railroad must become bankrupt, which is a condition I take it that the Government does not contemplate, nor does it contemplate to secure by act of Congress any such condition as we had in 1894.

Senator CARMACK. Are there not certain points where competition has been very keen and where the railroad has been compelled frequently to carry freight from those competitive points at very low rates, sometimes unremunerative rates, and that that has drawn business from the noncompetitive points, and does not that affect injuriously the rates at the noncompetitive points?

Mr. FISH. I think that is so. Naturally the business is drawn to the centers by the competition at those centers. So in the banking business and other business.

Senator CARMACK. Do not the rates from the noncompetitive points suffer on that account?

Mr. FISH. They have failed to receive, perhaps, their proportionate share of the general reduction; I do not think there has been any advance, in consequence of that, at the noncompetitive points.

Senator CARMACK. I know; but I am speaking relatively.

Mr. FISH. The noncompetitive points to-day are very few where the railroads are close together. Where an east-and-west line crosses a north-and-south line the competitive point is not merely the point of crossing, but the effect of the rate goes back from those points into that whole territory on each line as far as the grouping of rates takes place. Do I make myself clear?

Senator CARMACK. Yes, I see.

Mr. FISH. Then the equality of rates works around in a circle, and these two circles are almost tangential, of course depending upon distances and rates. But we have very few noncompetitive stations.

This Esch-Townsend bill is a new bill, as to which, so far as I have been advised, no testimony has been taken on behalf of the railroads chiefly interested, except certain officials of the Louisville and Nashville Railroad and its affiliated line—two out of 800 operating railroads.

Senator NEWLANDS. Into how many systems are those 800 operating railroads combined?

Mr. FISH. It is pretty hard to say. There are in the West certain large systems. Take Mr. Harriman's group, the Union Pacific and Southern Pacific; that is a large one. Take Mr. Hill's organization, the Great Northern and the Northern Pacific. Then there is the Atchison. But when you come east of Chicago you begin to find a great many independent roads, and in New England they become increasingly numerous. It would be very hard for me to say how many there are.

Senator NEWLANDS. Could you at some time give us an idea of what each system comprises and the mileage of each system?

Mr. FISH. I think we could work that out; it would take time, but I should be very glad to do it, so far as I can work it out from the reports of the companies. I can testify now that the Illinois Central and the Yazoo and Mississippi Valley are independent corporations; I happen to be president of both companies. A great many people think they are under the same control; they are in a sense, and they are not in another: the boards of directors are different men. I think Senator Carmack knows the directors of the Yazoo and Mississippi Valley; that the majority are independent men, citizens of Tennessee and Mississippi.

Senator NEWLANDS. Yet they pursue a harmonious policy?

Mr. FISH. Yes; I do not quarrel with them much myself.

Senator NEWLANDS. I do not understand that it amounts to a combination, but there is a certain community of interest.

Mr. FISH. There is a true community of interest there, though I take a good deal of exception to that phrase in other respects. Nobody has any interest in our company except our own people, and our directors have no interest in any other railroad company whatever, nor have I personally.



## THE EFFECT OF SUCH LEGISLATION AS THE ESCH-TOWNSEND BILL UPON RAILROAD DEVELOPMENT.

The idea that the Government would take from railroad companies the right to make rates and vest this power in a commission has only obtained recent recognition. That such legislation seriously impairs confidence in railroad values, no one with any financial knowledge would dispute. The effect of such legislation will necessarily be very serious and far-reaching. The amount of capital originally put in railroad building by those living contiguous to railroads is inappreciable. In the early history of railroad building this was done to a considerable extent in New England, but the amount of such contribution, compared with the whole volume of capital that has gone into railroads, is inconsiderable, especially in the West. The great bulk of such capital came from money centers, and largely from abroad.

If at the time when our great railroad systems were projected there had been on the statute books an act which indicated the purpose of the Government to turn over that part of the administration of railroad companies which most vitally touches their revenues to Government officials, or if the idea had been seriously entertained that such a condition would ever come about, it is certain that we would have had no such railroad development as our country has seen, and that in all probability such enterprises would have been left to governmental action. If such had been the case, railroads would have been few and far between, as compared with what we have now, and it follows that instead of the vast development of this continent in all directions, the utilization of lands, the opening up of mines, and the building of cities which have amazed the world, the progress would have been comparatively slow, and many places which now are centers of civilization would be a wilderness. Our railroad system is vast, comprising more than 200,000 miles, exceeding that of all Europe, and being 40 per cent of that of all the world. They are here, are immovable, and whether they prosper or not the capital embarked in them can not be withdrawn. However disappointing such legislation may be to those who invested in them, yet it will not in all probability reduce the mileage of any system. In certain States and sections the railroad systems are almost if not entirely adequate to the wants of the people. We have, however, other States and sections much larger in number where there are either no railroad facilities or the facilities are inadequate.

To maintain systems already established, necessary branches and feeders may be built even in the face of hostile legislation, but it is quite certain that no promoter of a new railroad would have the hardihood to propose to any capitalist to furnish the money to build a new railroad whose administration in all matters touching the revenues would be put under such a body as an interstate commerce commission. If such legislation as that proposed shall be enacted into a law, it must be done with a full understanding that it will operate to completely paralyze the building of independent railroad lines. While this will not involve as much to the country as would have been involved twenty years ago, yet it can not be doubted that the result will be serious enough to very large sections of the country. It may be that but little more mileage will be necessary to serve all of the demands of most of the New England States and such States as Illinois, but it is still more manifest that if the population and business

of the Southern and Western States are to be anything like commensurate with their areas and natural resources their railroad mileage will have to be very largely increased. Of course it is possible that the States themselves will go into railroad building, and thus supplement their needs; but would the States be willing to invest heavily in highways of commerce whose revenues will be controlled by the National Government? If the United States Government can control the revenues of railroad companies, chartered by States which carry interstate commerce, then why can it not, by the same token, control the revenues of railroads built by the State so far as interstate commerce is concerned?

#### EFFECT OF PROPOSED LEGISLATION ON SOUTHERN PORTS.

Before the civil war a large proportion of foreign commerce was carried on through Southern ports, especially New Orleans. The bulk of the New Orleans business arose from water transportation. After the civil war, on account of the vast increase of the wealth of the North, the establishment of foreign business connections, and the development of railroad systems, the contrast between the amount of foreign business done through Northern ports with that done through Southern ports was startling. The foreign business through Southern ports had to be recreated. To-day it has reached enormous proportions and their old-time prestige has been reestablished with the most flattering prospects for the future. Although the rivers, and especially the Mississippi River, control the rates, and will continue to do so, even though the steamboat traffic shall not be revived, yet the bulk of foreign commerce passing through Southern ports is from railroad traffic.

The railroads of the South, always inadequate, were bankrupted by the war. It was necessary to rebuild them, and this was done mainly with Northern and foreign capital. While the railroad systems of the South have been largely expanded, they are by no means adequate to the needs of a population that the area and resources of the Southern States can support. The grades of the railroads from Northern markets to Southern ports are lower than the grades from the same markets to Eastern ports. Over equal distances and all other conditions being the same, freight can be hauled to Southern ports at less cost. To maintain and further expand the present foreign commerce of Southern ports, it is absolutely necessary that the roads going to those ports shall carry freight for less compensation per mile than that for which it is carried to Eastern ports, for the Eastern ports have a large advantage over the Southern ports in ocean mileage, and this advantage, which is represented by the greater expense of ocean traffic from foreign ports to Southern ports must be overcome by shrinkage of the cost of railroad transportation to those ports.

The first section of the Esch-Townsend bill gives the right to set aside a rate and makes it the duty of the Commission to declare and order "what shall be a just and reasonable rate, practice, or regulation to be charged, imposed, or followed in the future in the place of that found to be unreasonable," etc. Thus the authority not only is given, but the duty is enjoined to fix a rate in the place of the one complained of. If a rate shall thus be fixed from the great centers where commodities of foreign commerce originate to a southern port, this rate is by the act made the rate that shall prevail in the future. It shall

prevail until set aside by a court or changed by the Commission. If this rate shall be a distance rate—that is to say, if from such points of origin the same rate shall be charged per mile by railroads going to eastern and southern ports—then in respect of a large amount of such traffic there will be a complete paralysis of southern ports. The Commission will have it in their power thus practically to discriminate against them and relegate them to the condition that they were just after the civil war.

It is absolutely necessary that conditions shall be flexible and that emergencies can be met promptly by the railroad companies which have built up the foreign commerce of these ports, and which are, in their prosperity, identified with them for all the future. It will not do to say that the Commission has power to give relief. There would have to be a complaint, an investigation, and a finding before action by the Commission. If the Commission had nothing to do but look out for the interests of southern ports, they could hardly, remote as they will be from the scene of action, act with sufficient promptness to meet the exigencies that will arise. With the multitude of duties that this act will put upon them, it is idle to think that there could be any relief which would be adequate. Western and southern railroads will be at a disadvantage by reason of distance from Washington. The eastern ports, on account of their wealth, their business connections, and the wealth of their railroad companies engaged in interstate commerce, can command the constant and efficient service of a regular merchant marine. The business of the southern ports has, until comparatively a recent period, been dependent, and is now and for a long time will be largely dependent upon an irregular merchant marine. It will be many years before a merchant marine plying to those ports having anything like the stability and efficiency of that of the eastern ports can be expected. On account of this uncertain, irregular, and sometimes spasmodic service, railroad rates on exports must be flexible so as to be adapted to the combinations that are necessary with the marine rates which are fluctuating.

When the Illinois Central Railroad Company first went into New Orleans there was no banana business and practically no export grain business. The business in lumber was hardly appreciable. All of these now constitute an immense traffic through the port of New Orleans. What has been done by the Illinois Central Railroad Company and other railroad companies at New Orleans has in various degrees been done by other railroad companies in respect of Pensacola, Gulfport, Mobile, and Galveston. The business of rival ports in different sections of the country may well be stimulated by the competition and enterprise of rival railroad companies, but if the business of such ports shall either be stimulated or repressed directly or indirectly through governmental action, then there will surely arise as acute a condition as has ever existed between the different sections of our common country. We will come back to where we were before the adoption of the Constitution.

#### THE UNION OF IRRECONCILABLE FUNCTIONS IN THE INTERSTATE COMMERCE COMMISSION.

It is hoped by those who are intrusted with the immense railroad interests of the country that if there shall be legislation under which *the revenues of the companies* are to be subjected to governmental

administration they will at least be safe-guarded to the same extent that, and in the same manner as, the property rights of other citizens are. We have been accustomed to think and to assert with pride in our institutions that no property, or property right, can be taken from one and transferred to another without the judgment of an impartial tribunal. Everyone recognizes that if the charges of common carriers are to be a subject matter of governmental investigation and adjudication it is necessary, on account of the expense and difficulty of complaining patrons to successfully assert their rights, that this burden should be borne by the Government. It was expected therefore in pursuance of such measures that the Government would afford speedy and economical means for investigating such complaints and that steps would be taken to afford relief.

Compensation for carriage, when reduced through governmental action, is a transfer of money that would belong to the carrier to the pocket of the shipper. In every instance where the rights of one citizen are thus inquired into, with the result that benefit accrues to another by the forced payment of money or otherwise, a hearing is provided before such transfer is enforced before a judge or a judge and jury who have formed and expressed no opinion on the subject and who approach the investigation with impartial minds. If the Government should provide for adequate and prompt investigation, so as to relieve the patron of the railroad of this burden, and that then upon a *prima facie* case of wrongdoing there should be a hearing before some tribunal which would approach the subject-matter submitted for decision with unprejudiced and impartial minds, there would be an equality in the status of all citizens before the law. But if, before a citizen is sued, the party complaining should first go before the judge and relate his grievance and the judge should then make an *ex parte* investigation and, having his zeal fired by the sense that a wrong had been committed, should hale the accused before him and then proceed to trial, it would not be long before he would be impeached, and yet, under the proposed act, that very condition is not only sanctioned, but required to be a part of the judicial machinery by which the conflicting rights of railroad companies and their patrons are to be adjusted!

Men will have to be re-created with different attributes before it can be expected that the investigator and denouncer of a supposed wrong can remain in that serene atmosphere which is necessary for fair judicial action. If either the Interstate Commerce Commission or some law officer of the Government acting under one of the great Departments should hear complaints, investigate, denounce, and prosecute before the regular Federal courts which up to that time had received no mental bias in the case, those interested in railroad properties would at least feel that their interests were not being purposely discriminated against, and that in the trial of their rights they were not being subjected to an essentially different procedure from that provided for other litigants.

Under this act the findings of the Interstate Commerce Commission are held to be *prima facie* correct. They go into force within thirty days. If they are wrong and shall be finally reversed, yet there is no possibility of the railroad companies being made whole on account of such errors. The difference between the rate fixed by the commission and the rate that should have been fixed is lost forever without any possibility of recovery, and thus the railroad company suffers in a different way

and in a different degree from any other litigant, and by the action of those who, on account of the absolutely irreconcilable nature of their functions, can not have the impartial judicial temperament. Any system so essentially wrong as that may, under the stress of the times, be established, but it can not endure unless there shall be a radical change in our attitude toward the principles of equal and exact justice which have always been regarded as an essential part of our Government.

One of the chief arguments advanced by proponents of enlarged powers for the Interstate Commerce Commission is that there is no desire or intention to confer upon the Commission authority to "make" rates primarily for the railroads; that it is proposed simply to have the Commission pass upon individual complaints, leaving the initiation of rates still in the hands of the railroad companies.

This, they say, is the full extent of the power sought to be conveyed in the original act creating the Commission or that is contemplated in the present measure under discussion in Congress.

Whatever the intention may be, the real effect of such legislation will, in the opinion of the Supreme Court of the United States, be entirely different. In one decision already made by the Supreme Court it says that if this Commission had such power—

There would be no escape from the conclusion that it would be within the discretion of the Commission, of its own motion, to suggest that the interstate rates on all roads of the country were unjust and unreasonable, notify the several roads of such opinion, direct a hearing, and upon such hearing make one general order reaching every road and covering every rate. (Maximum freight-rate case (167 U. S., 479), decided by Supreme Court May 24, 1897; opinion of court, p. 509.)

#### MINGLING OF LEGISLATIVE, EXECUTIVE, AND JUDICIAL FUNCTIONS.

The trouble with the Commission under the present law, and under this bills that Congress has sought to combine in that one body more or less of the attributes of the legislative, the executive, and the judicial branches of the Government. They are an administrative body charged at present with certain quasi-judicial functions, and they are now seeking to get the purely legislative function. The more you mix them the worse they will be and the weaker.

While I think something could be done—if I may be pardoned the suggestion—it would be on the lines that President Roosevelt has suggested, to subordinate the Commission to one department of the Government, say that of Commerce and Labor, and coordinate it to the system of the Government under the Constitution.

Senator NEWLANDS. Have those who control the various railway systems of the country ever come together with a view to shape some law that would be just to investors in railways and at the same time just to shippers—that would involve this subject of national control where differences exist between shippers and the railroads?

Mr. FISH. I believe they have. Personally I have not been a party to that, but I believe it has been done in the past. So far as the Illinois Central and the Yazoo and Mississippi Valley Railroads are concerned, they were not a party to it.

Senator NEWLANDS. The difficulty in Congress is that most of the gentlemen who represent railroads come before the committee and deny the right or the wisdom of intrusting the rate-making power to *any body*.

Mr. FISH. I do not deny the right, but I do the wisdom.

Senator NEWLANDS. It struck me that if the capable railroad men of the country, who have prosecuted with such brilliant success the work of building railroads, would simply recognize the difficulty we have at hand now—the adjustment of contentions between shippers and railroads and between communities and railroads—and make up their minds that they would submit to Government control, and then simply address themselves to the question of getting the most competent, the most impartial, and the most speedy tribunal for the determination of these questions, we might reach a solution.

Mr. FISH. I think so.

Senator NEWLANDS. The gross revenue of all the railroads of the country during the past year was about \$1,950,000,000, and that was an increase of \$174,000,000 over the gross income of the preceding year. Assuming that that rate of increase goes on in the future as it has in the past (though at present it does not appear likely), it would mean that in the coming ten years the gross revenue of all the railroads would be pretty nearly double. The fear that the public has is that in consequence of this gradual combination of railroads, through purchase, consolidation, holding companies, and community of interest, there will be either a gradual increase of rates or there will be a stop put to the gradual diminution of rates that has been going on as the result of competition, and that the result will be that the railroads in the aggregate will get from the public very much more than they are entitled to, and that some control will have to be put upon that. There is no disposition, as I understand, upon the part of anybody to imperil the investments of the bondholders or stockholders. The only question is as to what kind of a bill we can shape to be absolutely fair to every interest. As one member of the committee, I am sure I should be very glad to invite cooperation of men skilled in railroading in shaping such a bill.

Mr. FISH. Of course I can only speak for myself. I shall be glad to give you such aid in any work of that kind, and I think the railroad men generally are of the same opinion. I question the wisdom of attempting to put in the hands of any governmental body the fixing of the price of any service, for the same reason that I would resist any such attempt to fix prices of any other article or service whatsoever. Such laws were undertaken in the middle ages. They tried to fix the prices of wheat and bread. New York to-day has a usury law at 6 per cent, with this exception that a loan made on Wall street collateral can be made for over \$5,000 at any rate if reduced to writing. My farmer friends up in Putnam County pay 6 per cent on their mortgages, or in case of a loan to good men they sometimes pay only 5 per cent. I am borrowing some myself in Putnam County to the amount of \$5,000, and I think I get that a little on account of my reputation. But the boys on Wall street get their money at 2 per cent or 1½, and once in a while they have to pay as high as 20 or 30 per cent per annum for a few days. This Townsend bill is a sumptuary proposition, and where have all sumptuary laws wound up?

Senator NEWLANDS. In New England, instead of fixing the rate of interest, they control the amount of dividends to be paid by railway corporations.

Mr. FISH. By the original charters.

Senator NEWLANDS. I understand the Boston and Maine is not permitted to pay over 8 per cent and the New York, New Haven and Hartford not over 10 per cent. The increased earnings on account of greater population and income and the growth of business have in consequence largely gone into the betterment of the roads, diminution of rates, and improvement of service, and possibly to increase of wages. What do you think of that method of regulation?

Mr. FISH. That was the original contract, just like these excessive payments of money by the Illinois Central to the State of Illinois, for we pay more than double other taxes. It is provided in our original contract, however, and of course we have to stand up to it.

Mr. NEWLANDS. You would not regard that as a wise system of regulating rates in the future?

Mr. FISH. No, sir.

Senator NEWLANDS. Do you think that by limiting their dividends so as to increase income, that that increase would in the future go toward betterments and lower rates?

Mr. FISH. No. My reason for that is this: That the circumstances are so different on the various railroads. Take our road, for instance; our stock represents money actually paid in, but that is not always the case with other roads. It would be grossly unfair to our people to say that the Illinois Central should not have the power to do as it chooses with the money invested more than fifty years ago.

Senator NEWLANDS. Assume that by a system of values it could be put on a fair basis, that objection would fall, would it not?

Mr. FISH. If you could get over the difficulty, that particular one would fall, but I think the difficulty would remain.

Senator NEWLANDS. Starting with the assumption that these roads are gradually being consolidated in various ways, and that the consolidation is beneficial to the public in the better service performed and greater economy of operation, how are we to prevent the increase of income and of rates in the future if the railroads are allowed to exercise their own will as to the rates, unregulated or uncontrolled by any power?

Mr. FISH. You quoted the gross earnings of the railroads in the United States last year. Those gross earnings, as you stated, were \$1,900,000,000 as against \$1,726,000 the year preceding. There was that tremendous increase, but it must not be forgotten that there was also an increase of operating expenses which, according to the report of the Interstate Commerce Commission, were for this year \$1,257,000,000 and last year \$1,116,000,000. The income from operation was this year \$643,000,000 and last year \$610,000,000.

Senator NEWLANDS. What was the net increase?

Mr. FISH. Thirty three million dollars. Out of all that vast sum of money that is all the increase in the return to them from the operation of the railroads. We did not want to increase our rates, but we were obliged to increase them as our expenses increased. As taxes, wages, and other expenditures go up we must get that money back from somewhere. The figures for the year ending June 30, 1904, are going to show a further increase in operating expenses. How it will come out for all the railroads of the United States I do not know, but I know something about the individual railroads. The trouble with these statistics is that they are stale. The figures in this report only come down to June 30, 1903.

Senator NEWLANDS. Do you not think the gross revenues of all the railroads last year exceed those of previous years?

Mr. FISH. I think the gross revenue did, but not the net revenue. That is my impression about it. I only wish we could have the statistics more promptly.

Senator NEWLANDS. Unless we put some control over the roads there is nothing to prevent them from raising whatever revenue they desire.

Mr. FISH. But the moment they raise the revenue they fail to move somebody's freight. Our reports show that in the past we have always moved an increasing amount of tonnage as we have developed the country. Take coal, for instance; we can move coal from the mines of Illinois at the rates now prevailing; but the rates vary at different times according to the conditions existing at the mines. Coal is very easily mined in Illinois.

Senator NEWLANDS. Do you not think these very low rates we have had have been the result of very active competition between the roads, and that as that active competition is diminished by consolidation, through these various methods, into eight or ten railway systems for the whole country, the natural tendency will be either toward a permanency in rates or an increase of rates, and not toward reduction of rates, as in the past?

Mr. FISH. I do not contemplate a permanent increase of rates under normal circumstances. I do, however, contemplate a lessening degree of diminution, just as if out of 100 you take one-tenth of 1 per cent, and out of the remainder one-tenth of 1 per cent, and so on, you constantly make a less and less reduction, because there is less to take away from. Our rates now are lower than those of any country in the world.

Senator DOLLIVER. Have you observed or taken pains to examine the effect of the regulation of railway rates by the board of trade under the authority of the British Parliament?

Mr. FISH. I know a little about that. I have not examined it lately; I did some years ago. I do not know that I can illuminate the committee. Probably the Senator knows more about it than I do. My recollection is that the board of trade appoints one man, then a judge is delegated, and then a third man is appointed in some way to represent the shippers.

Senator DOLLIVER. Parliament has fixed a maximum rate throughout the realm, and has given this power, in substance, of fixing rates, in case of complaint, to a tribunal created by law or which has been in existence in one form or another since 1844, if I have read the statutes correctly. What I wanted to get at was the railroad view of the practical operation of that attempt of Parliament to control these rates through a commission appointed for that purpose.

Mr. FISH. I have seen something of that, and if I can find it I shall be glad to send it to the committee. It was some years ago that I saw it. As I remember, one member of that tribunal is a law judge corresponding to our Federal judges, and there are three members of the body.

Senator DOLLIVER. What I wanted to get at is the effect of this control of rates for many years in a country not noted particularly for unnecessary interference with business.

Mr. FISH. As I remember, I think that court has no power to fix rates. I think they inquire into the injustice and the relation of rates and determine those questions as our courts do. I think perhaps they fix a maximum beyond which a rate shall not go—a theoretical rate.



## THE TEXAS IMPORT RATE CASE.

I have noted frequent references to the decision of the Supreme Court in the import rate case such as would indicate a belief that some wrong to inland shippers was involved in the practice under which from a port of entry to the interior a less rate was charged upon imported commodities than that charged upon like commodities not imported for carriage between the same points. I am forced to believe that these conclusions arise from an inadequate understanding of the conditions.

In the first place it rarely if ever happens that like commodities the one imported and the other not imported, go from the same port to the same point in the interior. It may happen, and doubtless does happen, that other things of like general nature, so far as the conditions of carriage are concerned, may go between such points, but the fact that the railroad company charges less upon the imported goods is no unfair discrimination. Indeed, the general result is that there is a tendency, on account of the carriage of the imported goods, to lower the tariff on all inland goods. The imported goods in question would not go to New Orleans at all and from New Orleans to interior points but for the reduced railroad rate. Inasmuch as the marine rate is greater to New Orleans than to Eastern points there must be a compensation in the railroad rate, for otherwise such goods would never reach the port of New Orleans. In respect of some of them, they would never come to America at all if the combined marine and railroad rate were not such as to enable them to reach interior markets so as to meet competition. The revenue derived by the railroad company from carrying traffic which otherwise it would not get at all enables the railroad company, by increasing its revenues, to give its domestic patrons better service and better rates than otherwise it could. It gives the consumer advantages of competition which otherwise would not exist. Whenever a railroad company, which must be operated anyway, can get, even though at close figures, a business which otherwise it would not get, this necessarily increases its efficiency, and the tendency is to enable it to carry generally at lower rates.

Senator CLAPP. You have a commission in Illinois?

Mr. FISH. Yes.

Senator CLAPP. The courts have decided that under your charter you are subject to that commission. Do you know what attention they pay in fixing rates to the relation of intrastate traffic to interstate traffic?

Mr. FISH. They have not taken that up to my knowledge.

Senator CLAPP. Have they ever fixed any rates for your road?

Mr. FISH. They have, generally, for all the railroads, and we have conformed to them.

Senator CLAPP. Did they prescribe a schedule?

Mr. FISH. They prepared a tariff. In Iowa there is a distance tariff. The same conditions prevail there. I happen to be more familiar with Iowa than Illinois. But the charges on our road are below the tariff.

Senator CLAPP. It was stated here the other day by a gentleman representing a southern road—the Louisville and Nashville, which operates in Illinois—that the Illinois commission fixes rates. I inquired in order to ascertain whether that commission took into account the *intrastate traffic* as related to the interstate in fixing the rates.

Senator CARMACK. He stated generally with respect to all interstate business.

Senator CLAPP. Domestic business, yes.

Mr. FISH. That is a legal question. The part of the Louisville and Nashville road in the State of Illinois is in what we consider pretty poor territory. The Illinois Central running to Chicago, where there is a great market, might have a good business, and we happen to have a better coal business than they have. But I think the Illinois end of the Louisville and Nashville is pretty poor property.

Senator DOLLIVER. You say that the Illinois Central does not live up to its privileges under the rates made by the Illinois State commission.

Mr. FISH. We simply can not get them.

Senator DOLLIVER. Have you any reason to fear that the orders of the Commission established by the National Government for the control of railway rates would be more oppressive upon these great properties than the orders of a State commission in a State like Illinois?

Mr. FISH. No, sir; I should not think they would be more oppressive; I think they would be more unequal. It is a much more complex problem, because you multiply every factor in the Illinois rate situation by 45 for the total number of States—unless you gentlemen created a new State the other day.

Senator DOLLIVER. We have not done that yet.

Mr. FISH. As you go on the situation becomes more complicated.

RELIEF, UNDER THE ESCH-TOWNSEND BILL, BY THE COURT OF TRANSPORTATION IS AT BEST ILLUSORY.

The act will in all probability in practice deny the railroad companies all relief until a trial upon the merits, provided such a trial can be obtained under this bill, which is more than doubtful. While section 1 provides that any person affected by the order of the Commission and deeming it to be contrary to law "may institute proceedings in the court of transportation, sitting as a court of equity, to have it reviewed and its lawfulness, justness, or reasonableness inquired into and determined," and while section 7 establishes a court "with full jurisdiction in law and equity," which shall have exclusive jurisdiction of all suits and proceedings "to restrain, enjoin, or otherwise prevent the enforcement and operation of any order," etc., and while section 14 provides that the court shall be deemed always open for "making and directing all interlocutory motions, orders, rules, and other proceedings, including temporary restraining orders, preparatory to the hearing," etc., yet when we come to consider all this in connection with section 12 it is quite evident that temporary restraining orders would not, except in cases of palpable and manifest injustice, be granted.

Section 12 provides that the case shall be reviewed upon the original record, except when there is newly discovered evidence, which was not known at the former hearing, or could not have been known with due diligence. It also provides that "the findings of fact made and reported by the Commission shall be received as prima facie evidence of each and every fact found." Therefore unless there shall be newly discovered evidence brought to the attention of the court, when a restraining order is asked for, or unless there is no competent evidence in the record upon which the findings could rest, the railroad company would at once be met by a statement from the court that it had nothing to

proceed upon except findings of fact, which were to be taken as *prima facie* correct, and which could not upon a preliminary hearing be determined to be incorrect, but could only be so found after a full hearing, and that upon such an aspect of the case a restraining order could not be allowed.

The bill, as arranged, amounts practically to a denial of all relief until after a final hearing upon the merits.

Thus the action of a body which has stimulated a hearing, has itself given the hearing and the decision, keenly bent upon righting a supposed wrong, however erroneous, can not be relieved against, with the result that the railroad companies must lose forever without any possibility of recoupment all of the revenue that may be cut off by such a tribunal.

The CHAIRMAN. Suppose the southwestern traffic territory falls under the domination and control of one management, which we may call a monopoly; suppose that the price of transportation of freight is advanced beyond what is reasonable and just or beyond what the people can bear, should there not be some power lodged somewhere to correct that abuse or evil, or whatever you may call it?

Mr. FISH. Theoretically I should say yes; as a practical proposition I doubt it, because you must suppose that men who are intrusted with such large property have sense enough to know that they must not kill the goose that lays the golden egg. They must go on and develop that territory. Take the most prosperous parts of the country that have been developed by the railroads. Those of you from the Western States are very familiar with the territory served by the Chicago, Burlington and Quincy Road in western Illinois, in Iowa, and Nebraska in early days. What part of the country has been developed more rapidly?

The CHAIRMAN. I admit that wherever railroads have gone they have developed the country beyond any other agency. But now we have reached a point where, by consolidation, a whole district may come under one combination, and we have not yet the practical knowledge or experience to see whether or not that has promoted the public good.

Mr. FISH. Take the State of Pennsylvania, for instance, and what country has prospered as that has? The Pennsylvania Railroad has been spending money lavishly in that State. But the appeal is to the enlightened self-interest of the managers of these roads, and that serves to bring in some of my own experience. Take the country south of Senator Carmack's home at Memphis, that Yazoo country. We have gone in there and are developing it by building little branch roads all the time. Why? True, the soil is good and is covered with timber, but in that territory we can maintain rates because there we have something approaching a monopoly. The Southern Railroad is in that territory, the Illinois Central is in there, and the Yazoo and Mississippi Valley, but those are all that are in there. We can develop that country, and we do go on developing it.

Senator CARMACK. It is to the interest of the railroads to develop the country and create as much business as possible. But suppose a case where one great company has a monopoly of the business, do you think it could be trusted to divide fairly the profits of that development as between themselves and the people?

Mr. FISH. The people would not agree to the division. That is as true as that you can not divide an apple satisfactorily between two boys.

Senator CARMACK. But if one boy has the absolute power to decide how it shall be divided, will the other boy get his share?

Mr. FISH. You have struck the exact point. You can not create territory in which there is absolute monopoly, and least of all a monopoly of that part of the business under the control of Congress, to wit, the commerce among the States as distinguished from domestic commerce. Suppose such a territory as Senator Elkins spoke of in the Southwest should pass into the hands of one corporation, and that that corporation should unduly harass and tax that territory in the matter of rates, the country to the north of it would develop and grow and become the producers of articles of interstate commerce. It would be unjust toward those people; I can see that; but you can not make a monopoly of commerce among the States and of commerce with foreign nations unless you suppose that all the railroads in the United States shall come practically into the hands of one man or one group of men, and then there is nothing to follow but Government ownership.

Senator NEWLANDS. It is complained that under existing conditions abuses are created in the shape of private-car lines, such as the Armour Company's lines, and I have heard mentioned also the Blue Line and the Merchants' Despatch. It is claimed that oftentimes large stockholders and traffic managers of other lines are interested in these private-car lines, and that a large amount of money is drawn from the public in that way which does not appear in the returns of the railroad companies to the Interstate Commerce Commission. What is your view regarding these private-car lines?

Mr. FISH. I believe they are an abuse pure and simple, and that they ought to be stopped, with certain exceptions. We handle probably, relatively to our whole business, more perishable merchandise than any railroad in the country, and we have probably the largest equipment of fruit and refrigerator cars owned by the company. Yet we use those private cars owned by Armour, Swift, and the others. We make as little use of them as is possible, but we have to use them to a certain extent. For instance, in Omaha the packers naturally insist that we shall carry in their cars. We take freight to New Orleans and the South in those cars, and naturally desire return freight to the North to be transported in those cars. The private-car business has been grossly abused by the officers, agents, and directors of railroad companies, though I think there is very little of that to-day.

Senator NEWLANDS. You mean to say that those officials have been interested?

Mr. FISH. Formerly they were interested, to my knowledge, and swindled their own employers years ago—no question about that. But I think that condition does not prevail to any great extent to-day; it may be sporadic here and there. But there are exceptions. A case was given me some years ago, and I think the condition still prevails. In northern Ohio they grow grapes, which, of course, are perishable, and have to be moved within a period of thirty to sixty days. The railroad lines can not afford to buy their own cars for that traffic, and therefore they use Armour cars, we will say, for that purpose. That

is on the east and west lines, but it is different on north and south lines. Take the banana trade, which moves all the year through and uses a thousand cars a month out of New Orleans, 13,000 cars of bananas were hauled out of New Orleans last year.

Senator NEWLANDS. Is that freight entrusted to the Armour car lines?

Mr. FISH. No, sir; that is carried in our own cars almost exclusively. Of course if we happened to have Armour cars there at the particular time, we should use them, but we have done as little as possible with them. It has become a necessity, however, for shippers on other roads to either use those private cars or go out of the business.

Senator NEWLANDS. Is there anything to prevent these private cars being used for general purposes when they are not required for use during the special period and for the special service?

Mr. FISH. They are not adapted to general freight purposes. It would not do to ship coal or anything of that sort in them. They are not easily loaded with other freight, and there are many other reasons why other freight should not be shipped in them.

Senator NEWLANDS. Your contention is that in the case of a small company that has a certain produce coming to fruition within a short period of time, it would be a hardship to require them to own a sufficient number of cars adapted to that service?

Mr. FISH. I do not see how they could do it.

Senator NEWLANDS. What suggestion do you make on that line, so far as legislation is concerned?

Mr. FISH. I do not see how you could prevent a railroad company from hiring such cars. There is nothing wrong per se in the hiring of cars. The abuse is in paying to the owner of the cars so high a price that he can rebate the rate. Do I make myself clear on that?

Senator NEWLANDS. Yes.

Mr. FISH. If the owner of the car is paid for its use too high a price he can rebate the charge, and there is a wrong in that matter. Without going into too much detail about it, occupying the position I do, I am yet willing to go on record as saying that I am with you so far as you will go in this legislation. I do not want rebates. I do not want to specify private cars. I do not want to specify undue terminal charges for three-fourths of a mile of railroad and giving a 20 per cent of the rate charged on 500 miles. All such tricks I want stopped, and I think the majority of the railroad men are with you and with the President on that, absolutely.

The CHAIRMAN. Are you clear, Mr. Fish, that the enactment of this bill, or of one like it, would stop railroad building, on the theory that men will not put their money into an enterprise where another person, who has no money interest in it, regulates it to the most important extent of fixing the rates?

Mr. FISH. I am very clear on that subject, for this reason: People go into railroad business for the great prizes they suppose to be in it. Some railroads have been very profitable, without question, but on the average railroads have not been profitable.

The CHAIRMAN. Do you think if this bill had been enacted and been in effect, and it had been supposed that Governmental supervision would have taken place, that there would not have been as much money invested in railroads?

Mr. FISH. I am confident of that—and more than that. Let me give you some more experience. Since the act of 1887 and the provision in the present act forbidding pools, there has not been in the United States anywhere, with a single exception, a railroad built for a share in the pool, as the Nickel Plate and the West Shore were built for a share in the New York and Chicago pool. It was in their prospectus, if you remember it, that the pools existed, and that those who went into it were to take so much in the Chicago pool, so much in the Buffalo pool, so much in the Cleveland pool, and that there were so many railroads to divide the total of such pools. The moment they got their tracks built they demanded and got a share of each pool; that is what forced the Vanderbilts to buy those roads. Since 1887 there have been no railroads built for a share in a pool, and only one considerable independent railroad has been built since then, and that is the Kansas City, Pittsburg and Gulf Railroad of about 800 miles.

The CHAIRMAN. Would the effect of this law, to your mind, be of immense advantage to those sections that already enjoy a large railroad mileage?

Mr. FISH. Yes, sir; it would have a tendency to preserve the status quo and to prevent growth. The Commission could do absolutely nothing with these rates except just to say that the rates which are in effect shall continue, and then whatever change occurred would not be in the direction of growth.

The CHAIRMAN. You think the effect of the exercise of the power would be what?

Mr. FISH. It would be to decrease rates, because there would be no motive the other way.

The CHAIRMAN. Do you think there would be a great many complaints filed if the law went into effect?

Mr. FISH. I should think probably a great many, but it is hard to tell. It would depend somewhat upon the position the Commission should take in regard to it. As I recollect, when the Commission was organized in 1887, under Judge Cooley, it rather deprecated the filing of complaints instead of inviting them.

The CHAIRMAN. If rates were reduced, would it not naturally follow that expenses would be reduced?

Mr. FISH. No. If you reduce rates, one effect might be to increase the volume of freights, for things would move.

The CHAIRMAN. Would they not do that in the first instance, then?

Mr. FISH. They are doing it every day. But the question is, What rate will the traffic bear? That is to say, at what rate can we pick up this or that commodity here and move it yonder in order to sell it?

The CHAIRMAN. But ordinarily it would have the effect to reduce expenses, would it not?

Mr. FISH. No, sir. To reduce rates would not reduce expenses unless it stimulated traffic to a much greater extent; and if that would happen, the traffic managers would reduce the rates to-day.

Senator NEWLANDS. Reduced rates would probably increase expenses?

Mr. FISH. They would increase expenses, for reducing the rates does not necessarily increase the tonnage.

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